

1 SB23  
2 145162-1  
3 By Senator Ward  
4 RFD: Judiciary  
5 First Read: 05-FEB-13  
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8 SYNOPSIS: Under existing law, the Uniform Commercial  
9 Code-Secured Transactions, appears as Chapter 9A of  
10 Title 7 of the Code of Alabama 1975, and provides a  
11 comprehensive program for the regulation of  
12 security interests in personal property and  
13 fixtures.

14 This bill would amend Alabama's adoption of  
15 Article 9 to incorporate changes made to the  
16 Uniform Commercial Code. This bill would update  
17 Article 9 of the Uniform Commercial Code to provide  
18 greater guidance as to the name of an individual  
19 debtor to be provided on a financing statement. For  
20 business entities and other registered  
21 organizations, the bill would clarify that the  
22 proper name for protection purposes is the name  
23 filed with the state. For an individual debtor, the  
24 proper name would be that which appears on the  
25 debtor's driver's license, the debtor's actual  
26 name, or the debtor's surname and first personal

1 name may be used on the financing statement. Other  
2 amendments would change the information required on  
3 the financing statements; provide greater  
4 protection for an existing secured party having a  
5 security interest in after-acquired property when  
6 its debtor relocates to another state or merges  
7 with another entity; and provide a safe harbor for  
8 the transfer of chattel paper in conformance with  
9 the Uniform Electronic Transaction Act.

10  
11 A BILL  
12 TO BE ENTITLED  
13 AN ACT  
14

15 To amend Sections 7-9A-102, 7-9A-105, 7-9A-307,  
16 7-9A-311, 7-9A-316, 7-9A-317, 7-9A-326, 7-9A-406, 7-9A-408,  
17 7-9A-502, 7-9A-503, 7-9A-507, 7-9A-515, 7-9A-516, 7-9A-518,  
18 and 7-9A-607 of, and to add Part 8, consisting of Sections  
19 7-9A-801, 7-9A-802, 7-9A-803, 7-9A-804, 7-9A-805, 7-9A-806,  
20 7-9A-807, 7-9A-808, and 7-9A-809, to Chapter 9A of Title 7, of  
21 the Code of Alabama 1975, relating to the Uniform Commercial  
22 Code-Secured Transactions, including the effectiveness of a  
23 security agreement, and attachment of security interest.

24 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

25 Section 1. Sections 7-9A-102, 7-9A-105, 7-9A-307,  
26 7-9A-311, 7-9A-316, 7-9A-317, 7-9A-326, 7-9A-406, 7-9A-408,

1 7-9A-502, 7-9A-503, 7-9A-507, 7-9A-515, 7-9A-516, 7-9A-518,  
2 and 7-9A-607, Code of Alabama 1975, are amended to read as  
3 follows:

4 "§7-9A-102.

5 "(a) Article 9A definitions. In this article:

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

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

1 (v) letter-of-credit rights or letters of credit, or (vi)  
2 rights to payment for money or funds advanced or sold, other  
3 than rights arising out of the use of a credit or charge card  
4 or information contained on or for use with the card.

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

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

11 "(A) authenticated by a secured party;

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

15 "(C) identifying the components of the obligations  
16 in reasonable detail.

17 "(5) "Agricultural lien" means an interest, other  
18 than a security interest, in farm products:

19 "(A) which secures payment or performance of an  
20 obligation for:

21 "(i) goods or services furnished in connection with  
22 a debtor's farming operation; or

23 "(ii) rent on real property leased by a debtor in  
24 connection with its farming operation;

25 "(B) which is created by statute in favor of a  
26 person that:

1           "(i) in the ordinary course of its business  
2 furnished goods or services to a debtor in connection with a  
3 debtor's farming operation; or

4           "(ii) leased real property to a debtor in connection  
5 with the debtor's farming operation; and

6           "(C) whose effectiveness does not depend on the  
7 person's possession of the personal property.

8           "(6) "As-extracted collateral" means:

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

11           "(i) is created by a debtor having an interest in  
12 the minerals before extraction; and

13           "(ii) attaches to the minerals as extracted; or

14           "(B) accounts arising out of the sale at the  
15 wellhead or mine of oil, gas, or other minerals in which the  
16 debtor had an interest before extraction.

17           "(7) "Authenticate" means:

18           "(A) to sign; or

19           "~~(B) to execute or otherwise adopt a symbol, or~~  
20 ~~encrypt or similarly process a record in whole or in part,~~  
21 ~~with the present intent of the authenticating person to~~  
22 ~~identify the person and adopt or accept a record~~ with present  
23 intent to adopt or accept a record, to attach to or logically  
24 associate with the record an electronic sound, symbol, or  
25 process.

1           "(8) "Bank" means an organization that is engaged in  
2 the business of banking. The term includes savings banks,  
3 savings and loan associations, credit unions, and trust  
4 companies.

5           "(9) "Cash proceeds" means proceeds that are money,  
6 checks, deposit accounts, or the like.

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

19           "(11) "Chattel paper" means a record or records that  
20 evidence both a monetary obligation and a security interest in  
21 specific goods, a security interest in specific goods and  
22 software used in the goods, a security interest in specific  
23 goods and license of software used in the goods, a lease of  
24 specific goods, or a lease of specific goods and license of  
25 software used in the goods. In this paragraph, "monetary  
26 obligation" means a monetary obligation secured by the goods

1 or owed under a lease of the goods and includes a monetary  
2 obligation with respect to software used in the goods. The  
3 term does not include (i) charters or other contracts  
4 involving the use or hire of a vessel or (ii) records that  
5 evidence a right to payment arising out of the use of a credit  
6 or charge card or information contained on or for use with the  
7 card. If a transaction is evidenced by records that include an  
8 instrument or series of instruments, the group of records  
9 taken together constitutes chattel paper.

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

12 "(A) proceeds to which a security interest attaches;

13 "(B) accounts, chattel paper, payment intangibles,  
14 and promissory notes that have been sold; and

15 "(C) goods that are the subject of a consignment.

16 "(13) "Commercial tort claim" means a claim arising  
17 in tort with respect to which:

18 "(A) the claimant is an organization; or

19 "(B) the claimant is an individual and the claim:

20 "(i) arose in the course of the claimant's business  
21 or profession; and

22 "(ii) does not include damages arising out of  
23 personal injury to or the death of an individual.

24 "(14) "Commodity account" means an account  
25 maintained by a commodity intermediary in which a commodity  
26 contract is carried for a commodity customer.



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

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

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

11           "(16) "Commodity customer" means a person for which  
12 a commodity intermediary carries a commodity contract on its  
13 books.

14           "(17) "Commodity intermediary" means a person that:

15           "(A) is registered as a futures commission merchant  
16 under federal commodities law; or

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

21           "(18) "Communicate" means:

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

23           "(B) to transmit a record by any means agreed upon  
24 by the persons sending and receiving the record; or

1           "(C) in the case of transmission of a record to or  
2 by a filing office, to transmit a record by any means  
3 prescribed by filing-office rule.

4           "(19) "Consignee" means a merchant to which goods  
5 are delivered in a consignment.

6           "(20) "Consignment" means a transaction, regardless  
7 of its form, in which a person delivers goods to a merchant  
8 for the purpose of sale and:

9           "(A) the merchant:

10           "(i) deals in goods of that kind under a name other  
11 than the name of the person making delivery;

12           "(ii) is not an auctioneer; and

13           "(iii) is not generally known by its creditors to be  
14 substantially engaged in selling the goods of others;

15           "(B) with respect to each delivery, the aggregate  
16 value of the goods is \$1,000 or more at the time of delivery;

17           "(C) the goods are not consumer goods immediately  
18 before delivery; and

19           "(D) the transaction does not create a security  
20 interest that secures an obligation.

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

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

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

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

6           "(A) an individual incurs an obligation primarily  
7 for personal, family, or household purposes; and

8           "(B) a security interest in consumer goods secures  
9 the obligation.

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

14          "(26) "Consumer transaction" means a transaction in  
15 which (i) an individual incurs an obligation primarily for  
16 personal, family, or household purposes, (ii) a security  
17 interest secures the obligation, and (iii) the collateral is  
18 held or acquired primarily for personal, family, or household  
19 purposes. The term includes consumer-goods transactions.

20          "(27) "Continuation statement" means an amendment of  
21 a financing statement which:

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

24          "(B) indicates that it is a continuation statement  
25 for, or that it is filed to continue the effectiveness of, the  
26 identified financing statement.

1           "(28) "Debtor" means:

2           "(A) a person having an interest, other than a  
3 security interest or other lien, in the collateral, whether or  
4 not the person is an obligor;

5           "(B) a seller of accounts, chattel paper, payment  
6 intangibles, or promissory notes; or

7           "(C) a consignee.

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

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

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

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

20           "(33) "Equipment" means goods other than inventory,  
21 farm products, or consumer goods.

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

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

1           "(i) crops produced on trees, vines, and bushes; and  
2           "(ii) aquatic goods produced in aquacultural  
3 operations;

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

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

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

10          "(35) "Farming operation" means raising,  
11 cultivating, propagating, fattening, grazing, or any other  
12 farming, livestock, or aquacultural operation.

13          "(36) "File number" means the number assigned to an  
14 initial financing statement pursuant to Section 7-9A-519(a).

15          "(37) "Filing office" means an office designated in  
16 Section 7-9A-501 as the place to file a financing statement.

17          "(38) "Filing-office rule" means a rule adopted  
18 pursuant to Section 7-9A-526.

19          "(39) "Financing statement" means a record or  
20 records composed of an initial financing statement and any  
21 filed record relating to the initial financing statement.

22          "(40) "Fixture filing" means the filing of a  
23 financing statement covering goods that are or are to become  
24 fixtures and satisfying Section 7-9A-502(a) and (b). The term  
25 includes the filing of a financing statement covering goods of  
26 a transmitting utility which are or are to become fixtures.

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

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

11           "(43) "Good faith" means honesty in fact in the  
12 conduct or transaction concerned.

13           "(44) "Goods" means all things that are movable when  
14 a security interest attaches. The term includes (i) fixtures,  
15 (ii) standing timber that is to be cut and removed under a  
16 conveyance or contract for sale, to the extent such standing  
17 timber and cutting rights with respect thereto are considered  
18 as chattels under Section 35-4-363, (iii) the unborn young of  
19 animals, (iv) crops grown, growing, or to be grown, even if  
20 the crops are produced on trees, vines, or bushes, and (v)  
21 manufactured homes. The term also includes a computer program  
22 embedded in goods and any supporting information provided in  
23 connection with a transaction relating to the program if (i)  
24 the program is associated with the goods in such a manner that  
25 it customarily is considered part of the goods, or (ii) by  
26 becoming the owner of the goods, a person acquires a right to

1 use the program in connection with the goods. The term does  
2 not include a computer program embedded in goods that consist  
3 solely of the medium in which the program is embedded. The  
4 term also does not include accounts, chattel paper, commercial  
5 tort claims, deposit accounts, documents, general intangibles,  
6 instruments, investment property, letter-of-credit rights,  
7 letters of credit, money, or oil, gas, or other minerals  
8 before extraction.

9 "(45) "Governmental unit" means a subdivision,  
10 agency, department, county, parish, municipality, or other  
11 unit of the government of the United States, a state, or a  
12 foreign country. The term includes an organization having a  
13 separate corporate existence if the organization is eligible  
14 to issue debt on which interest is exempt from income taxation  
15 under the laws of the United States.

16 "(46) "Health-care-insurance receivable" means an  
17 interest in or claim under a policy of insurance which is a  
18 right to payment of a monetary obligation for health-care  
19 goods or services provided.

20 "(47) "Instrument" means a negotiable instrument or  
21 any other writing that evidences a right to the payment of a  
22 monetary obligation, is not itself a security agreement or  
23 lease, and is of a type that in ordinary course of business is  
24 transferred by delivery with any necessary indorsement or  
25 assignment. The term does not include (i) investment property,  
26 (ii) letters of credit, or (iii) writings that evidence a

1 right to payment arising out of the use of a credit or charge  
2 card or information contained on or for use with the card.

3 "(48) "Inventory" means goods, other than farm  
4 products, which:

5 "(A) are leased by a person as lessor;

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

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

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

12 "(49) "Investment property" means a security,  
13 whether certificated or uncertificated, security entitlement,  
14 securities account, commodity contract, or commodity account.

15 "(50) "Jurisdiction of organization," with respect  
16 to a registered organization, means the jurisdiction under  
17 whose law the organization is organized.

18 "(51) "Letter-of-credit right" means a right to  
19 payment or performance under a letter of credit, whether or  
20 not the beneficiary has demanded or is at the time entitled to  
21 demand payment or performance. The term does not include the  
22 right of a beneficiary to demand payment or performance under  
23 a letter of credit.

24 "(52) "Lien creditor" means:

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



1           "(B) an assignee for benefit of creditors from the  
2 time of assignment;

3           "(C) a trustee in bankruptcy from the date of the  
4 filing of the petition; or

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

7           "(53) "Manufactured home" means a structure defined  
8 as a "manufactured home" in Section 32-8-2.

9           "(54) "Manufactured-home transaction" means a  
10 secured transaction:

11           "(A) that creates a purchase-money security interest  
12 in a manufactured home, other than a manufactured home held as  
13 inventory; or

14           "(B) in which a manufactured home, other than a  
15 manufactured home held as inventory, is the primary  
16 collateral.

17           "(55) "Mortgage" means a consensual interest in real  
18 property, including fixtures, which secures payment or  
19 performance of an obligation.

20           "(56) "New debtor" means a person that becomes bound  
21 as debtor under Section 7-9A-203(d) by a security agreement  
22 previously entered into by another person.

23           "(57) "New value" means (i) money, (ii) money's  
24 worth in property, services, or new credit, or (iii) release  
25 by a transferee of an interest in property previously

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

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

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

14 "(60) "Original debtor," except as used in Section  
15 7-9A-310(c), means a person that, as debtor, entered into a  
16 security agreement to which a new debtor has become bound  
17 under Section 7-9A-203(d).

18 "(61) "Payment intangible" means a general  
19 intangible under which the account debtor's principal  
20 obligation is a monetary obligation.

21 "(62) "Person related to," with respect to an  
22 individual, means:

23 "(A) the spouse of the individual;

24 "(B) a brother, brother-in-law, sister, or  
25 sister-in-law of the individual;

1           "(C) an ancestor or lineal descendant of the  
2 individual or the individual's spouse; or

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

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

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

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

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

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

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

21          "(64) "Proceeds," except as used in Section  
22 7-9A-609(b), means the following property:

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

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

1           "(C) rights arising out of collateral;

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

6           "(E) to the extent of the value of collateral and to  
7 the extent payable to the debtor or the secured party,  
8 insurance payable by reason of the loss or nonconformity of,  
9 defects or infringement of rights in, or damage to, the  
10 collateral.

11           "(65) "Promissory note" means an instrument that  
12 evidences a promise to pay a monetary obligation, does not  
13 evidence an order to pay, and does not contain an  
14 acknowledgment by a bank that the bank has received for  
15 deposit a sum of money or funds.

16           "(66) "Proposal" means a record authenticated by a  
17 secured party which includes the terms on which the secured  
18 party is willing to accept collateral in full or partial  
19 satisfaction of the obligation it secures pursuant to Sections  
20 7-9A-620, 7-9A-621, and 7-9A-622.

21           "(67) Omitted.

22           "(68) (A) "Public organic record" means a record that  
23 is available to the public for inspection and that is:

24           "(i) a record consisting of the record initially  
25 filed with or issued by a state or the United States to form  
26 or organize an organization and any record filed with or

1 issued by the state or the United States which amends or  
2 restates the initial record;

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

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

14 "(B) For purposes of this definition and the  
15 definition of registered organization, a certificate of  
16 formation filed with a judge of probate pursuant to Section  
17 10A-1-4.02(a) is filed with the state.

18 ~~"(68)~~ (69) "Pursuant to commitment," with respect to  
19 an advance made or other value given by a secured party, means  
20 pursuant to the secured party's obligation, whether or not a  
21 subsequent event of default or other event not within the  
22 secured party's control has relieved or may relieve the  
23 secured party from its obligation.

24 ~~"(69)~~ (70) "Record," except as used in "for record,"  
25 "of record," "record or legal title," and "record owner,"  
26 means information that is inscribed on a tangible medium or

1 which is stored in an electronic or other medium and is  
2 retrievable in perceivable form.

3 ~~"(70)(71)~~ "Registered organization" means an  
4 organization formed or organized solely under the law of a  
5 single State or the United States ~~and as to which the state or~~  
6 ~~the United States must maintain a public record showing the~~  
7 ~~organization to have been organized~~ by the filing of a public  
8 organic record with, the issuance of a public organic record  
9 by, or the enactment of legislation by the state or the United  
10 States. The term includes a business trust that is formed or  
11 organized under the law of a single state if a statute of the  
12 state governing business trusts requires that the business  
13 trust's organic record be filed with the state.

14 ~~"(71)(72)~~ "Secondary obligor" means an obligor to  
15 the extent that:

16 "(A) the obligor's obligation is secondary; or

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

20 ~~"(72)(73)~~ "Secured party" means:

21 "(A) a person in whose favor a security interest is  
22 created or provided for under a security agreement, whether or  
23 not any obligation to be secured is outstanding;

24 "(B) a person that holds an agricultural lien;

25 "(C) a consignor;

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

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

6           "(F) a person that holds a security interest arising  
7 under Section 7-2-401, 7-2-505, 7-2-711(3), 7-2A-508(5),  
8 7-4-210, or 7-5-118.

9           "~~(73)~~ (74) "Security agreement" means an agreement  
10 that creates or provides for a security interest.

11           "~~(74)~~ (75) "Send," in connection with a record or  
12 notification, means:

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

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

21           "~~(75)~~ (76) "Software" means a computer program and  
22 any supporting information provided in connection with a  
23 transaction relating to the program. The term does not include  
24 a computer program that is included in the definition of  
25 goods.

1           "~~(76)~~(77) "State" means a state of the United  
2 States, the District of Columbia, Puerto Rico, the United  
3 States Virgin Islands, or any territory or insular possession  
4 subject to the jurisdiction of the United States.

5           "~~(77)~~(78) "Supporting obligation" means a  
6 letter-of-credit right or secondary obligation that supports  
7 the payment or performance of an account, chattel paper, a  
8 document, a general intangible, an instrument, or investment  
9 property.

10           "~~(78)~~(79) "Tangible chattel paper" means chattel  
11 paper evidenced by a record or records consisting of  
12 information that is inscribed on a tangible medium.

13           "~~(79)~~(80) "Termination statement" means an amendment  
14 of a financing statement which:

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

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

20           "~~(80)~~(81) "Transmitting utility" means a person  
21 primarily engaged in the business of:

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

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

26           "(C) transmitting goods by pipeline or sewer;



1           "(D) transmitting or producing or distributing  
2 electricity, steam, gas, or water; or

3           "(E) owning, operating, leasing or controlling a  
4 "utility" as defined in Section 37-1-30.

5           "(b) Definitions in other articles. "Control" as  
6 provided in Section 7-7-106 and the following definitions in  
7 other articles of this title apply to this article:

8           ""Applicant" Section 7-5-102.

9           ""Beneficiary" Section 7-5-102.

10          ""Broker" Section 7-8-102.

11          ""Certificated security" Section 7-8-102.

12          ""Check" Section 7-3-104.

13          ""Clearing corporation" Section 7-8-102.

14          ""Contract for sale" Section 7-2-106.

15          ""Customer" Section 7-4-104.

16          ""Entitlement holder" Section 7-8-102.

17          ""Financial asset" Section 7-8-102.

18          ""Holder in due course" Section 7-3-302.

19          ""Issuer" (with respect to a letter of credit or  
20 letter-of-credit right) Section 7-5-102.

21          ""Issuer" (with respect to a security) Section  
22 7-8-201.

23          ""Issuer" (with respect to documents of title)  
24 Section 7-7-102.

25          ""Lease" Section 7-2A-103.

26          ""Lease agreement" Section 7-2A-103.

1            ""Lease contract" Section 7-2A-103.  
2            ""Leasehold interest" Section 7-2A-103.  
3            ""Lessee" Section 7-2A-103.  
4            ""Lessee in ordinary course of business" Section  
5            7-2A-103.  
6            ""Lessor" Section 7-2A-103.  
7            ""Lessor's residual interest" Section 7-2A-103.  
8            ""Letter of credit" Section 7-5-102.  
9            ""Merchant" Section 7-2-104.  
10           ""Negotiable instrument" Section 7-3-104.  
11           ""Nominated person" Section 7-5-102.  
12           ""Note" Section 7-3-104.  
13           ""Proceeds of a letter of credit" Section 7-5-114.  
14           ""Prove" Section 7-3-103.  
15           ""Sale" Section 7-2-106.  
16           ""Securities account" Section 7-8-501.  
17           ""Securities intermediary" Section 7-8-102.  
18           ""Security" Section 7-8-102.  
19           ""Security certificate" Section 7-8-102.  
20           ""Security entitlement" Section 7-8-102.  
21           ""Uncertificated security" Section 7-8-102.  
22           "(c) Article 1 definitions and principles. Article 1  
23           contains general definitions and principles of construction  
24           and interpretation applicable throughout this article.  
25           "§7-9A-105.

1           "(a) General rule: control of electronic chattel  
2 paper. A secured party has control of electronic chattel paper  
3 if a system employed for evidencing the transfer of interests  
4 in the chattel paper reliably establishes the secured party as  
5 the person to which the chattel paper was assigned.

6           "(b) Specific facts giving control. A system  
7 satisfies subsection (a), and a secured party has control of  
8 electronic chattel paper, if the record or records comprising  
9 the chattel paper are created, stored, and assigned in such a  
10 manner that:

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

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

17           "(3) the authoritative copy is communicated to and  
18 maintained by the secured party or its designated custodian;

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

22           "(5) each copy of the authoritative copy and any  
23 copy of a copy is readily identifiable as a copy that is not  
24 the authoritative copy; and

1           "(6) any ~~revision~~ amendment of the authoritative  
2 copy is readily identifiable as an authorized or unauthorized  
3 revision.

4           "§7-9A-307.

5           "(a) "Place of business." In this section, "place of  
6 business" means a place where a debtor conducts its affairs.

7           "(b) Debtor's location: General rules. Except as  
8 otherwise provided in this section, the following rules  
9 determine a debtor's location:

10           "(1) A debtor who is an individual is located at the  
11 individual's principal residence.

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

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

17           "(c) Limitation of applicability of subsection (b).  
18 Subsection (b) applies only if a debtor's residence, place of  
19 business, or chief executive office, as applicable, is located  
20 in a jurisdiction whose law generally requires information  
21 concerning the existence of a nonpossessory security interest  
22 to be made generally available in a filing, recording, or  
23 registration system as a condition or result of the security  
24 interest's obtaining priority over the rights of a lien  
25 creditor with respect to the collateral. If subsection (b)

1 does not apply, the debtor is located in the District of  
2 Columbia.

3 "(d) Continuation of location: Cessation of  
4 existence, etc. A person that ceases to exist, have a  
5 residence, or have a place of business continues to be located  
6 in the jurisdiction specified by subsections (b) and (c).

7 "(e) Location of registered organization organized  
8 under State law. A registered organization that is organized  
9 under the law of a State is located in that State.

10 "(f) Location of registered organization organized  
11 under federal law; bank branches and agencies. Except as  
12 otherwise provided in subsection (i), a registered  
13 organization that is organized under the law of the United  
14 States and a branch or agency of a bank that is not organized  
15 under the law of the United States or a State are located:

16 "(1) in the State that the law of the United States  
17 designates, if the law designates a State of location;

18 "(2) in the State that the registered organization,  
19 branch, or agency designates, if the law of the United States  
20 authorizes the registered organization, branch, or agency to  
21 designate its State of location, including by designating its  
22 main office, home office, or other comparable office; or

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

25 "(g) Continuation of location: Change in status of  
26 registered organization. A registered organization continues

1 to be located in the jurisdiction specified by subsection (e)  
2 or (f) notwithstanding:

3 "(1) the suspension, revocation, forfeiture, or  
4 lapse of the registered organization's status as such in its  
5 jurisdiction of organization; or

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

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

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

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

20 "(k) Section applies only to this part. This section  
21 applies only for purposes of this part.

22 "(l) Information as to debtor's location. Within 10  
23 days after receipt of the secured party's authenticated  
24 request, the debtor shall provide to the secured party the  
25 information reasonably necessary to enable the secured party  
26 to determine the debtor's location under this section.

1           "§7-9A-311.

2           "(a) Security interest subject to other law. Except  
3 as otherwise provided in subsection (d), the filing of a  
4 financing statement is not necessary or effective to perfect a  
5 security interest in property subject to:

6           "(1) a statute, regulation, or treaty of the United  
7 States whose requirements for a security interest's obtaining  
8 priority over the rights of a lien creditor with respect to  
9 the property preempt Section 7-9A-310(a);

10           "~~(2) a certificate of title statute covering~~  
11 ~~automobiles, trailers, manufactured homes, boats, farm~~  
12 ~~tractors, or the like, which provides for a security interest~~  
13 ~~to be indicated on the certificate as a condition or result of~~  
14 ~~perfection, and any non-Uniform Commercial Code central filing~~  
15 ~~statute Chapter 8 or Chapter 20 of Title 32 or another statute~~  
16 of this state which provides for a security interest to be  
17 indicated on a certificate of title as a condition or result  
18 of the security interest's obtaining priority over the rights  
19 of a lien creditor with respect to the collateral, or any  
20 central filing system created by another statute of this state  
21 governing perfection of a security interest in collateral that  
22 is subject to this article; or

23           "(3) a ~~certificate of title~~ statute of another  
24 jurisdiction which provides for a security interest to be  
25 indicated on ~~the~~ a certificate of title as a condition or

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

3 "(b) Compliance with other law. Compliance with the  
4 requirements of a statute, regulation, or treaty described in  
5 subsection (a) for obtaining priority over the rights of a  
6 lien creditor is equivalent to the filing of a financing  
7 statement under this article. Except as otherwise provided in  
8 subsection (d) and Sections 7-9A-313 and 7-9A-316(d) and (e)  
9 for goods covered by a certificate of title, a security  
10 interest in property subject to a statute, regulation, or  
11 treaty described in subsection (a) may be perfected only by  
12 compliance with those requirements, and a security interest so  
13 perfected remains perfected notwithstanding a change in the  
14 use or transfer of possession of the collateral.

15 "(c) Duration and renewal of perfection. Except as  
16 otherwise provided in subsection (d) and Section 7-9A-316(d)  
17 and (e), duration and renewal of perfection of a security  
18 interest perfected by compliance with the requirements  
19 prescribed by a statute, regulation, or treaty described in  
20 subsection (a) are governed by the statute, regulation, or  
21 treaty. In other respects, the security interest is subject to  
22 this article.

23 "(d) Inapplicability to certain inventory. During  
24 any period in which collateral subject to a statute specified  
25 in subsection (a) (2) is inventory held for sale or lease by a  
26 person or leased by that person as lessor and that person is



1 in the business of selling goods of that kind, this section  
2 does not apply to a security interest in that collateral  
3 created by that person.

4 "§7-9A-316.

5 "(a) General rule: Effect on perfection of change in  
6 governing law. A security interest perfected pursuant to the  
7 law of the jurisdiction designated in Section 7-9A-301(1) or  
8 7-9A-305(c) remains perfected until the earliest of:

9 "(1) the time perfection would have ceased under the  
10 law of that jurisdiction;

11 "(2) the expiration of four months after a change of  
12 the debtor's location to another jurisdiction; or

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

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

25 "(c) Possessory security interest in collateral  
26 moved to new jurisdiction. A possessory security interest in

1 collateral, other than goods covered by a certificate of title  
2 and as-extracted collateral consisting of goods, remains  
3 continuously perfected if:

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

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

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

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

20 "(e) When subsection (d) security interest becomes  
21 unperfected against purchasers. A security interest described  
22 in subsection (d) becomes unperfected as against a purchaser  
23 of the goods for value and is deemed never to have been  
24 perfected as against a purchaser of the goods for value if the  
25 applicable requirements for perfection under Section

1 7-9A-311(b) or 7-9A-313 are not satisfied before the earlier  
2 of:

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

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

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

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

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

22 "(g) Subsection (f) security interest perfected or  
23 unperfected under law of new jurisdiction. If a security  
24 interest described in subsection (f) becomes perfected under  
25 the law of the other jurisdiction before the earlier of the  
26 time or the end of the period described in that subsection, it

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

6 "(h) Effect on filed financing statement of change  
7 in governing law. The following rules apply to collateral to  
8 which a security interest attaches within four months after  
9 the debtor changes its location to another jurisdiction:

10 "(1) A financing statement filed before the change  
11 pursuant to the law of the jurisdiction designated in Section  
12 7-9A-301(1) or 7-9A-305(c) is effective to perfect a security  
13 interest in the collateral if the financing statement would  
14 have been effective to perfect a security interest in the  
15 collateral if the debtor had not changed its location.

16 "(2) If a security interest that is perfected by a  
17 financing statement that is effective under subdivision (1)  
18 becomes perfected under the law of the other jurisdiction  
19 before the earlier of the time the financing statement would  
20 have become ineffective under the law of the jurisdiction  
21 designated in Section 7-9A-301(1) or 7-9A-305(c) or the  
22 expiration of the four-month period, it remains perfected  
23 thereafter. If the security interest does not become perfected  
24 under the law of the other jurisdiction before the earlier  
25 time or event, it becomes unperfected and is deemed never to

1 have been perfected as against a purchaser of the collateral  
2 for value.

3 "(i) Effect of change in governing law on financing  
4 statement filed against original debtor. If a financing  
5 statement naming an original debtor is filed pursuant to the  
6 law of the jurisdiction designated in Section 7-9A-301(1) or  
7 7-9A-305(c) and the new debtor is located in another  
8 jurisdiction, the following rules apply:

9 "(1) The financing statement is effective to perfect  
10 a security interest in collateral acquired by the new debtor  
11 before, and within four months after, the new debtor becomes  
12 bound under Section 7-9A-203(d), if the financing statement  
13 would have been effective to perfect a security interest in  
14 the collateral if the collateral had been acquired by the  
15 original debtor.

16 "(2) A security interest that is perfected by the  
17 financing statement and which becomes perfected under the law  
18 of the other jurisdiction before the earlier of the expiration  
19 of the four-month period or the time the financing statement  
20 would have become ineffective under the law of the  
21 jurisdiction designated in Section 7-9A-301(1) or 7-9A-305(c)  
22 remains perfected thereafter. A security interest that is  
23 perfected by the financing statement but which does not become  
24 perfected under the law of the other jurisdiction before the  
25 earlier time or event becomes unperfected and is deemed never

1 to have been perfected as against a purchaser of the  
2 collateral for value.

3 "§7-9A-317.

4 "(a) Conflicting security interests and rights of  
5 lien creditors. A security interest or agricultural lien is  
6 subordinate to the rights of:

7 "(1) a person entitled to priority under Section  
8 7-9A-322; and

9 "(2) except as otherwise provided in subsection (e),  
10 a person that becomes a lien creditor before the earlier of  
11 the time:

12 "(A) the security interest or agricultural lien is  
13 perfected; or

14 "(B) one of the conditions specified in Section  
15 7-9A-203(b) (3) is met and a financing statement covering the  
16 collateral is filed.

17 "(b) Buyers that receive delivery. Except as  
18 otherwise provided in subsection (e), a buyer, other than a  
19 secured party, of tangible chattel paper, tangible documents,  
20 goods, instruments, or a certificated security ~~certificate~~  
21 takes free of a security interest or agricultural lien if the  
22 buyer gives value and receives delivery of the collateral  
23 without knowledge of the security interest or agricultural  
24 lien and before it is perfected.

25 "(c) Lessees that receive delivery. Except as  
26 otherwise provided in subsection (e), a lessee of goods takes

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

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

13 "(e) Purchase-money security interest. Except as  
14 otherwise provided in Sections 7-9A-320 and 7-9A-321, if a  
15 person files a financing statement with respect to a  
16 purchase-money security interest before or within 20 days  
17 after the debtor receives delivery of the collateral, the  
18 security interest takes priority over the rights of a buyer,  
19 lessee, or lien creditor which arise between the time the  
20 security interest attaches and the time of filing.

21 "§7-9A-326.

22 "(a) Subordination of security interest created by  
23 new debtor. Subject to subsection (b), a security interest  
24 that is created by a new debtor which in collateral in which  
25 the new debtor has or acquires rights and is perfected by a  
26 filed financing statement that is ~~effective solely under~~

1 ~~Section 7-9A-508 in collateral in which a new debtor has or~~  
2 ~~acquires rights~~ would be ineffective to perfect the security  
3 interest but for the application of Section 7-9A-508 or of  
4 Sections 7-9A-508 and 7-9A-316(i) (1) is subordinate to a  
5 security interest in the same collateral which is perfected  
6 other than by such a filed financing statement ~~that is~~  
7 ~~effective solely under Section 7-9A-508.~~

8 "(b) Priority under other provisions; multiple  
9 original debtors. The other provisions of this part determine  
10 the priority among conflicting security interests in the same  
11 collateral perfected by filed financing statements ~~that are~~  
12 ~~effective solely under Section 7-9A-508~~ described in  
13 subsection (a). However, if the security agreements to which a  
14 new debtor became bound as debtor were not entered into by the  
15 same original debtor, the conflicting security interests rank  
16 according to priority in time of the new debtor's having  
17 become bound.

18 "§7-9A-406.

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



1 the notification, the account debtor may discharge its  
2 obligation by paying the assignee and may not discharge the  
3 obligation by paying the assignor.

4 "(b) When notification ineffective. Subject to  
5 subsection (h), notification is ineffective under subsection  
6 (a):

7 "(1) if it does not reasonably identify the rights  
8 assigned;

9 "(2) to the extent that an agreement between an  
10 account debtor and a seller of a payment intangible limits the  
11 account debtor's duty to pay a person other than the seller  
12 and the limitation is effective under law other than this  
13 article; or

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

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

20 "(B) a portion has been assigned to another  
21 assignee; or

22 "(C) the account debtor knows that the assignment to  
23 that assignee is limited.

24 "(c) Proof of assignment. Subject to subsection (h),  
25 if requested by the account debtor, an assignee shall  
26 seasonably furnish reasonable proof that the assignment has

1       been made. Unless the assignee complies, the account debtor  
2       may discharge its obligation by paying the assignor, even if  
3       the account debtor has received a notification under  
4       subsection (a).

5               "(d) Term restricting assignment generally  
6       ineffective. Except as otherwise provided in subsection (e)  
7       and Sections 7-2A-303 and 7-9A-407, and subject to subsection  
8       (h), a term in an agreement between an account debtor and an  
9       assignor or in a promissory note is ineffective to the extent  
10      that it:

11              "(1) prohibits, restricts, or requires the consent  
12      of the account debtor or person obligated on the promissory  
13      note to the assignment or transfer of, or the creation,  
14      attachment, perfection, or enforcement of a security interest  
15      in, the account, chattel paper, payment intangible, or  
16      promissory note; or

17              "(2) provides that the assignment or transfer or the  
18      creation, attachment, perfection, or enforcement of the  
19      security interest may give rise to a default, breach, right of  
20      recoupment, claim, defense, termination, right of termination,  
21      or remedy under the account, chattel paper, payment  
22      intangible, or promissory note.

23              "(e) Inapplicability of subsection (d) to certain  
24      sales. Subsection (d) does not apply to the sale of a payment  
25      intangible or promissory note, other than a sale pursuant to a

1 disposition under Section 7-9A-610 or an acceptance of  
2 collateral under Section 7-9A-620.

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

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

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

22 "(g) Subsection (b) (3) not waivable. Subject to  
23 subsection (h), an account debtor may not waive or vary its  
24 option under subsection (b) (3).

25 "(h) Rule for individual under other law. This  
26 section is subject to law other than this article which

1 establishes a different rule for an account debtor who is an  
2 individual and who incurred the obligation primarily for  
3 personal, family, or household purposes.

4 "(i) Inapplicability to health-care-insurance  
5 receivable. This section does not apply to an assignment of a  
6 health-care-insurance receivable.

7 "(j) Section prevails over inconsistent law. This  
8 section prevails over any inconsistent provision of an  
9 existing or future statute, rule, or regulation of this State  
10 unless the provision is contained in a statute of this State,  
11 refers expressly to this section, and states that the  
12 provision prevails over this section.

13 "§7-9A-408.

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

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

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

9           "(b) Applicability of subsection (a) to sales of  
10 certain rights to payment. Subsection (a) applies to a  
11 security interest in a payment intangible or promissory note  
12 only if the security interest arises out of a sale of the  
13 payment intangible or promissory note, other than a sale  
14 pursuant to a disposition under Section 7-9A-610 or an  
15 acceptance of collateral under Section 7-9A-620.

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

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

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

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

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

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

23           "(3) does not require the person obligated on the  
24 promissory note or the account debtor to recognize the  
25 security interest, pay or render performance to the secured

1 party, or accept payment or performance from the secured  
2 party;

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

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

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

16 "(e) Section prevails over inconsistent law. This  
17 section prevails over any inconsistent provision of an  
18 existing or future statute, rule, or regulation of this State  
19 unless the provision is contained in a statute of this State,  
20 refers expressly to this section, and states that the  
21 provision prevails over this section.

22 "§7-9A-502.

23 "(a) Sufficiency of financing statement. Subject to  
24 subsection (b), a financing statement is sufficient only if  
25 it:

26 "(1) provides the name of the debtor;

1           "(2) provides the name of the secured party or a  
2 representative of the secured party; and

3           "(3) indicates the collateral covered by the  
4 financing statement.

5           "(b) Real-property-related financing statements.  
6 Except as otherwise provided in Section 7-9A-501(b), to be  
7 sufficient, a financing statement that covers as-extracted  
8 collateral or timber to be cut, or which is filed as a fixture  
9 filing and covers goods that are or are to become fixtures,  
10 must satisfy subsection (a) and also:

11           "(1) indicate that it covers this type of  
12 collateral;

13           "(2) indicate that it is to be filed in the real  
14 property records;

15           "(3) provide a description of the real property to  
16 which the collateral is related sufficient to give  
17 constructive notice of a mortgage under the law of this State  
18 if the description were contained in a record of the mortgage  
19 of the real property; and

20           "(4) if the debtor does not have an interest of  
21 record in the real property, provide the name of a record  
22 owner.

23           "(c) Record of mortgage as financing statement. A  
24 record of a mortgage is effective, from the date of recording,  
25 as a financing statement filed as a fixture filing or as a



1 financing statement covering as-extracted collateral or timber  
2 to be cut only if:

3 "(1) the record indicates the goods or accounts that  
4 it covers;

5 "(2) the goods are or are to become fixtures related  
6 to the real property described in the record or the collateral  
7 is related to the real property described in the record and is  
8 as-extracted collateral or timber to be cut;

9 "(3) the record satisfies the requirements for a  
10 financing statement in this section other than an indication  
11 that it is to be filed in the real property records; and

12 "(4) the record is recorded.

13 "(d) Filing before security agreement or attachment.  
14 A financing statement may be filed before a security agreement  
15 is made or a security interest otherwise attaches.

16 "§7-9A-503.

17 "(a) Sufficiency of debtor's name. A financing  
18 statement sufficiently provides the name of the debtor:

19 "(1) except as otherwise provided in subdivision  
20 (3), if the debtor is a registered organization or the  
21 collateral is held in a trust that is a registered  
22 organization, only if the financing statement provides the  
23 name of the debtor indicated that is stated to be the  
24 registered organization's name on the public organic record of  
25 most recently filed with or issued or enacted by the debtor's  
26 registered organization's jurisdiction of organization which

1 ~~shows the debtor to have been organized:~~ purports to state,  
2 amend, or restate the registered organization's name;

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

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

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

18 ~~"(B) indicates, in the debtor's name or otherwise,~~  
19 ~~that the debtor is a trust or is a trustee acting with respect~~  
20 ~~to property held in trust; and~~

21 "(3) if the collateral is held in a trust that is  
22 not a registered organization, only if the financing  
23 statement:

24 "(A) provides, as the name of the debtor:

25 "(i) if the organic record of the trust specifies a  
26 name for the trust, the name so specified; or

1           "(ii) if the organic record of the trust does not  
2 specify a name for the trust, the name of the settlor or  
3 testator; and

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

5           "(i) if the name is provided in accordance with  
6 subparagraph (A) (i), indicates that the collateral is held in  
7 a trust; or

8           "(ii) if the name is provided in accordance with  
9 subparagraph (A) (ii), provides additional information  
10 sufficient to distinguish the trust from other trusts having  
11 one or more of the same settlors or the same testator and  
12 indicates that the collateral is held in a trust, unless the  
13 additional information so indicates;

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

15           "(A) it provides the individual name of the debtor;

16           "(B) it provides the surname and first personal name  
17 of the debtor; or

18           "(C) subject to subsection (g), it provides the name  
19 of the individual which is indicated on a driver's license or  
20 nondriver identification card that this state has issued to  
21 the individual and which has not expired; and

22           ~~"(4)~~ (5) in other cases:

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

25           "(B) if the debtor does not have a name, only if it  
26 provides the names of the partners, members, associates, or

1 other persons comprising the debtor, in a manner that each  
2 name provided would be sufficient if the person named were the  
3 debtor.

4 "(b) Additional debtor-related information. A  
5 financing statement that provides the name of the debtor in  
6 accordance with subsection (a) is not rendered ineffective by  
7 the absence of:

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

9 "(2) unless required under subsection (a) ~~(4)~~ (5) (B),  
10 names of partners, members, associates, or other persons  
11 comprising the debtor.

12 "(c) Debtor's trade name insufficient. A financing  
13 statement that provides only the debtor's trade name does not  
14 sufficiently provide the name of the debtor.

15 "(d) Representative capacity. Failure to indicate  
16 the representative capacity of a secured party or  
17 representative of a secured party does not affect the  
18 sufficiency of a financing statement.

19 "(e) Multiple debtors and secured parties. A  
20 financing statement may provide the name of more than one  
21 debtor and the name of more than one secured party.

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

1           "(g) Multiple driver's license or nondriver  
2 identification cards. If this state has issued to an  
3 individual more than one driver's license or nondriver  
4 identification card of a kind described in subsection  
5 (a) (4) (C), the one that was issued most recently is the one to  
6 which the subsection (a) (4) (C) refers.

7           "(h) Definition. The "name of the settlor or  
8 testator" means:

9           "(1) if the settlor is a registered organization,  
10 the name that is stated to be the settlor's name on the public  
11 organic record most recently filed with or issued or enacted  
12 by the settlor's jurisdiction of organization which purports  
13 to state, amend, or restate the settlor's name; or

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

16           "§7-9A-507.

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

22           "(b) Information becoming seriously misleading.  
23 Except as otherwise provided in subsection (c) and Section  
24 7-9A-508, a financing statement is not rendered ineffective  
25 if, after the financing statement is filed, the information

1 provided in the financing statement becomes seriously  
2 misleading under Section 7-9A-506.

3 "(c) Change in debtor's name. If ~~a debtor so changes~~  
4 ~~its~~ the name that a filed financing statement provides for a  
5 debtor becomes insufficient as the name of the debtor under  
6 Section 7-9A-503(a) so that the financing statement becomes  
7 seriously misleading under Section 7-9A-506:

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

12 "(2) the financing statement is not effective to  
13 perfect a security interest in collateral acquired by the  
14 debtor more than four months after the ~~change~~ filed financing  
15 statement becomes seriously misleading, unless an amendment to  
16 the financing statement which renders the financing statement  
17 not seriously misleading is filed within four months after ~~the~~  
18 ~~change~~ that event.

19 "§7-9A-515.

20 "(a) Five-year effectiveness. Except as otherwise  
21 provided in subsections (b), (e), (f), (g), and (h), a filed  
22 financing statement is effective for a period of five years  
23 after the date of filing.

24 "(b) Manufactured-home transaction. Except as  
25 otherwise provided in subsections (e), (f), and (g), an  
26 initial financing statement filed in connection with a

1 manufactured-home transaction is effective for a period of 30  
2 years after the date of filing if it indicates that it is  
3 filed in connection with a manufactured-home transaction.

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

15 "(d) When continuation statement may be filed. A  
16 continuation statement may be filed only within six months  
17 before the expiration of the five-year period specified in  
18 subsection (a) or the 30-year period specified in subsection  
19 (b), whichever is applicable.

20 "(e) Effect of filing continuation statement. Except  
21 as otherwise provided in Section 7-9A-510, upon timely filing  
22 of a continuation statement, the effectiveness of the initial  
23 financing statement continues for a period of five years  
24 commencing on the day on which the financing statement would  
25 have become ineffective in the absence of the filing. Upon the  
26 expiration of the five-year period, the financing statement

1 lapses in the same manner as provided in subsection (c),  
2 unless, before the lapse, another continuation statement is  
3 filed pursuant to subsection (d). Succeeding continuation  
4 statements may be filed in the same manner to continue the  
5 effectiveness of the initial financing statement.

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

10 "(g) Record of mortgage as financing statement. A  
11 record of a mortgage that is effective as a financing  
12 statement filed as a fixture filing under Section 7-9A-502(c)  
13 remains effective as a financing statement filed as a fixture  
14 filing until the mortgage is released or satisfied of record  
15 or its effectiveness otherwise terminates as to the real  
16 property.

17 "(h) Obligations made pursuant to the provisions of  
18 the Alabama Small Loan Act. If the secured obligation is made  
19 pursuant to the provisions of the Alabama Small Loan Act, the  
20 effectiveness of a filed financing statement lapses upon the  
21 earlier of repayment of the loan in full or the expiration of  
22 five years after the date of filing.

23 "§7-9A-516.

24 "(a) What constitutes filing. Except as otherwise  
25 provided in subsection (b), communication of a record to a



1 filing office and tender of the filing fee or acceptance of  
2 the record by the filing office constitutes filing.

3 "(b) Refusal to accept record; filing does not  
4 occur. Filing does not occur with respect to a record that a  
5 filing office refuses to accept because:

6 "(1) the record is not communicated by a method or  
7 medium of communication authorized by the filing office;

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

10 "(3) the filing office is unable to index the record  
11 because:

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

14 "(B) in the case of an amendment or ~~correction~~  
15 information statement, the record:

16 "(i) does not identify the initial financing  
17 statement as required by Section 7-9A-512 or 7-9A-518, as  
18 applicable; or

19 "(ii) identifies an initial financing statement  
20 whose effectiveness has lapsed under Section 7-9A-515;

21 "(C) in the case of an initial financing statement  
22 that provides the name of a debtor identified as an individual  
23 or an amendment that provides a name of a debtor identified as  
24 an individual which was not previously provided in the  
25 financing statement to which the record relates, the record  
26 does not identify the debtor's ~~last name~~ surname; or

1           "(D) in the case of a record filed or recorded in  
2 the filing office described in Section 7-9A-501(a)(1), the  
3 record does not provide a sufficient description of the real  
4 property to which it relates;

5           "(4) in the case of an initial financing statement  
6 or an amendment that adds a secured party of record, the  
7 record does not provide a name and mailing address for the  
8 secured party of record;

9           "(5) in the case of an initial financing statement  
10 or an amendment that provides a name of a debtor which was not  
11 previously provided in the financing statement to which the  
12 amendment relates, the record does not:

13           "(A) provide a mailing address for the debtor;

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

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

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

20           "~~(ii) a jurisdiction of organization for the debtor.~~

21           "(6) in the case of an assignment reflected in an  
22 initial financing statement under Section 7-9A-514(a) or an  
23 amendment filed under Section 7-9A-514(b), the record does not  
24 provide a name and mailing address for the assignee; or

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

4           "(c) Rules applicable to subsection (b). For  
5 purposes of subsection (b):

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

9           "(2) a record that does not indicate that it is an  
10 amendment or identify an initial financing statement to which  
11 it relates, as required by Section 7-9A-512, 7-9A-514, or  
12 7-9A-518, is an initial financing statement.

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

21           "§7-9A-518.

22           "(a) Correction statement. A person may file in the  
23 filing office ~~a correction~~ an information statement with  
24 respect to a record indexed there under the person's name if  
25 the person believes that the record is inaccurate or was  
26 wrongfully filed.

1           "~~Sufficiency~~ Contents of ~~correction~~ statement  
2 under subsection (a). ~~A correction~~ An information statement  
3 under subsection (a) must:

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

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

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

14           "(c) Statement by secured party of record. A person  
15 may file in the filing office an information statement with  
16 respect to a record filed there if the person is a secured  
17 party of record with respect to the financing statement to  
18 which the record relates and believes that the person that  
19 filed the record was not entitled to do so under Section  
20 7-9A-509(d).

21           "(d) Contents of statement under subsection (c). An  
22 information statement under subsection (c) must:

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

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

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

6           "(e) Record not affected by ~~correction~~ information  
7     statement. The filing of a ~~correction~~ an information statement  
8     does not affect the effectiveness of an initial financing  
9     statement or other filed record.

10          "§7-9A-607.

11          "(a) Collection and enforcement generally. If so  
12     agreed, and in any event after default, a secured party:

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

16                 "(2) may take any proceeds to which the secured  
17     party is entitled under Section 7-9A-315;

18                 "(3) may enforce the obligations of an account  
19     debtor or other person obligated on collateral and exercise  
20     the rights of the debtor with respect to the obligation of the  
21     account debtor or other person obligated on collateral to make  
22     payment or otherwise render performance to the debtor, and  
23     with respect to any property that secures the obligations of  
24     the account debtor or other person obligated on the  
25     collateral;

1           "(4) if it holds a security interest in a deposit  
2 account perfected by control under Section 7-9A-104(a) (1), may  
3 apply the balance of the deposit account to the obligation  
4 secured by the deposit account; and

5           "(5) if it holds a security interest in a deposit  
6 account perfected by control under Section 7-9A-104(a) (2) or  
7 (3), may instruct the bank to pay the balance of the deposit  
8 account to or for the benefit of the secured party.

9           "(b) Nonjudicial enforcement of mortgage. If  
10 necessary to enable a secured party to exercise under  
11 subsection (a) (3) the right of a debtor to enforce a mortgage  
12 nonjudicially, the secured party may record in the office in  
13 which a record of the mortgage is recorded:

14           "(1) a copy of the security agreement that creates  
15 or provides for a security interest in the obligation secured  
16 by the mortgage; and

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

19           "(A) a default has occurred with respect to the  
20 obligations secured by the mortgage; and

21           "(B) the secured party is entitled to enforce the  
22 mortgage nonjudicially.

23           "(c) Commercially reasonable collection and  
24 enforcement. A secured party shall proceed in a commercially  
25 reasonable manner if the secured party:

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

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

7           "(d) Expenses of collection and enforcement. A  
8 secured party may deduct from the collections made pursuant to  
9 subsection (c) reasonable expenses of collection and  
10 enforcement, including reasonable attorney's fees and legal  
11 expenses incurred by the secured party.

12           "(e) Duties to secured party not affected. This  
13 section does not determine whether an account debtor, bank, or  
14 other person obligated on collateral owes a duty to a secured  
15 party."

16           Section 2. Part 8, consisting of Sections 7-9A-801,  
17 7-9A-802, 7-9A-803, 7-9A-804, 7-9A-805, 7-9A-806, 7-9A-807,  
18 7-9A-808, and 7-9A-809, is added to Chapter 9A of Title 7 of  
19 the Code of Alabama 1975, to read as follows:

20           Part 8. Transitional Provisions for 2013 Amendments.

21           §7-9A-801. RESERVED.

22           §7-9A-802. Savings Clause.

23           (a) Pre-effective date transactions or liens. Except  
24 as otherwise provided in this part, the act adding this part  
25 applies to a transaction or lien within its scope, even if the

1 transaction or lien was entered into or created before July 1,  
2 2014.

3 (b) Pre-effective-date proceedings. The act adding  
4 this part does not affect an action, case, or proceeding  
5 commenced before July 1, 2014.

6 §7-9A-803. Security Interest Perfected Before  
7 Effective Date.

8 (a) Continuing perfection: perfection requirements  
9 satisfied. A security interest that is a perfected security  
10 interest immediately before July 1, 2014, is a perfected  
11 security interest under Article 9 as amended by the act adding  
12 this part, if, on July 1, 2014, the applicable requirements  
13 for attachment and perfection under Article 9 as amended by  
14 the act adding this part are satisfied without further action.

15 (b) Continuing perfection: perfection requirements  
16 not satisfied. Except as otherwise provided in Section  
17 7-9A-805, if, immediately before July 1, 2014, a security  
18 interest is a perfected security interest, but the applicable  
19 requirements for perfection under Article 9 as amended by the  
20 act adding this part are not satisfied on July 1, 2014, the  
21 security interest remains perfected thereafter only if the  
22 applicable requirements for perfection under Article 9 as  
23 amended by the act adding this part are satisfied before July  
24 1, 2015.

25 §7-9A-804. Security Interest Unperfected Before  
26 Effective Date.



1           A security interest that is an unperfected security  
2 interest immediately before July 1, 2014, becomes a perfected  
3 security interest:

4           (1) without further action, on July 1, 2014, if the  
5 applicable requirements for perfection under Article 9 as  
6 amended by the act adding this part are satisfied before or at  
7 that time; or

8           (2) when the applicable requirements for perfection  
9 are satisfied if the requirements are satisfied after that  
10 time.

11           §7-9A-805. Effectiveness Of Action Taken Before  
12 Effective Date.

13           (a) Pre-effective-date filing effective. The filing  
14 of a financing statement before July 1, 2014, is effective to  
15 perfect a security interest to the extent the filing would  
16 satisfy the applicable requirements for perfection under  
17 Article 9 as amended by the act adding this part.

18           (b) When pre-effective-date filing becomes  
19 ineffective. The act adding this part does not render  
20 ineffective an effective financing statement that, before July  
21 1, 2014, is filed and satisfies the applicable requirements  
22 for perfection under the law of the jurisdiction governing  
23 perfection as provided in Article 9 as it existed before  
24 amendment by the act adding this part. However, except as  
25 otherwise provided in subsections (c) and (d) and Section  
26 7-9A-806, the financing statement ceases to be effective:

1           (1) if the financing statement is filed in this  
2 state, at the time the financing statement would have ceased  
3 to be effective had the act adding this part not taken effect;  
4 or

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

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

9           (B) June 30, 2018.

10          (c) Continuation statement. The filing of a  
11 continuation statement on or after July 1, 2014, does not  
12 continue the effectiveness of the financing statement filed  
13 before that date. However, upon the timely filing of a  
14 continuation statement on or after July 1, 2014, and in  
15 accordance with the law of the jurisdiction governing  
16 perfection as provided in Article 9 as amended by the act  
17 adding this part, the effectiveness of a financing statement  
18 filed in the same office in that jurisdiction before July 1,  
19 2014, continues for the period provided by the law of that  
20 jurisdiction.

21          (d) Application of subsection (b) (2) (B) to  
22 transmitting utility financing statement. Subsection (b) (2) (B)  
23 applies to a financing statement that, before July 1, 2014, is  
24 filed against a transmitting utility and satisfies the  
25 applicable requirements for perfection under the law of the  
26 jurisdiction governing perfection as provided in Article 9 as

1 it existed before the amendment by the act adding this part,  
2 only to the extent that Article 9 as amended by the act adding  
3 this part provides that the law of a jurisdiction other than  
4 the jurisdiction in which the financing statement is filed  
5 governs perfection of a security interest in collateral  
6 covered by the financing statement.

7 (e) Application of Part 5. A financing statement  
8 that includes a financing statement filed before July 1, 2014,  
9 and a continuation statement filed on or after July 1, 2014,  
10 is effective only to the extent that it satisfies the  
11 requirements of Part 5 as amended by the act adding this part  
12 for an initial financing statement. A financing statement that  
13 indicates that the debtor is a decedent's estate indicates  
14 that the collateral is being administered by a personal  
15 representative within the meaning of Section 7-9A-503(a)(2) as  
16 amended by the act adding this part. A financing statement  
17 that indicates that the debtor is a trust or is a trustee  
18 acting with respect to property held in trust indicates that  
19 the collateral is held in a trust within the meaning of  
20 Section 7-9A-503(a)(3) as amended by the act adding this part.

21 §7-9A-806. When Initial Financing Statement Suffices  
22 To Continue Effectiveness of Financing Statement.

23 (a) Initial financing statement in lieu of  
24 continuation statement. The filing of an initial financing  
25 statement in the office specified in Section 7-9A-501

1 continues the effectiveness of a financing statement filed  
2 before July 1, 2014:

3 (1) the filing of an initial financing statement in  
4 that office would be effective to perfect a security interest  
5 under Article 9 as amended by the act adding this part.

6 (2) the pre-effective-date financing statement was  
7 filed in an office in another state; and

8 (3) the initial financing statement satisfies  
9 subsection (c).

10 (b) Period of continued effectiveness. The filing of  
11 an initial financing statement under subsection (a) continues  
12 the effectiveness of the pre-effective-date financing  
13 statement:

14 (1) if the initial financing statement is filed  
15 before July 1, 2014, for the period provided in Section  
16 7-9A-515 prior to amendment by the act adding this part with  
17 respect to an initial financing statement; and

18 (2) if the initial financing statement is filed on  
19 or after July 1, 2014, for the period provided in Section  
20 7-9A-515 as amended by the act adding this part with respect  
21 to an initial financing statement.

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

25 (1) satisfy the requirements of Part 5 as amended by  
26 the act adding this part for an initial financing statement;

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

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

9           §7-9A-807. Amendment Of Pre-Effective-Date Financing  
10 Statement.

11           (a) "Pre-effective-date financing statement." In  
12 this section, "pre-effective-date financing statement" means a  
13 financing statement filed before July 1, 2014.

14           (b) Applicable law. On or after July 1, 2014, a  
15 person may add or delete collateral covered by, continue or  
16 terminate the effectiveness of, or otherwise amend the  
17 information provided in, a pre-effective-date financing  
18 statement only in accordance with the law of the jurisdiction  
19 governing perfection as provided in Article 9 as amended by  
20 the act adding this part. However, the effectiveness of a  
21 pre-effective-date financing statement also may be terminated  
22 in accordance with the law of the jurisdiction in which the  
23 financing statement is filed.

24           (c) Method of amending: general rule. Except as  
25 otherwise provided in subsection (d), if the law of this state  
26 governs perfection of a security interest, the information in

1 a pre-effective-date financing statement may be amended on or  
2 after July 1, 2014:

3 (1) the pre-effective-date financing statement and  
4 an amendment are filed in the office specified in Section  
5 7-9A-501.

6 (2) an amendment is filed in the office specified in  
7 Section 7-9A-501 concurrently with, or after the filing in  
8 that office of, an initial financing statement that satisfies  
9 Section 7-9A-806(c); or

10 (3) an initial financing statement that provides the  
11 information as amended and satisfies Section 7-9A-806(c) is  
12 filed in the office specified in Section 7-9A-501.

13 (d) Method of amending: continuation. If the law of  
14 this state governs perfection of a security interest, the  
15 effectiveness of a pre-effective-date financing statement may  
16 be continued only under Section 7-9A-805(c) and (e) or  
17 7-9A-806.

18 (e) Method of amending: additional termination rule.  
19 Whether or not the law of this state governs perfection of a  
20 security interest, the effectiveness of a pre-effective-date  
21 financing statement filed in this state may be terminated on  
22 or after July 1, 2014, by filing a termination statement in  
23 the office in which the pre-effective-date financing statement  
24 is filed, unless an initial financing statement that satisfies  
25 Section 7-9A-806(c) has been filed in the office specified by  
26 the law of the jurisdiction governing perfection as provided

1 in Article 9 as amended by the act adding this part as the  
2 office in which to file a financing statement.

3 §7-9A-808. Person Entitled To File Initial Financing  
4 Statement Or Continuation Statement.

5 A person may file an initial financing statement or  
6 a continuation statement under this part if:

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

9 (2) the filing is necessary under this part;

10 (A) to continue the effectiveness of a financing  
11 statement filed before this act takes effect; or

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

14 §7-9A-809. Priority.

15 The act adding this part determines the priority of  
16 conflicting claims to collateral. However, if the relative  
17 priorities of the claims were established before July 1, 2014,  
18 Article 9 as it existed before amendment by the act adding  
19 this part determines priority.

20 Section 3. This act shall become effective July 1,  
21 2014, following its passage and approval by the Governor, or  
22 its otherwise becoming law.