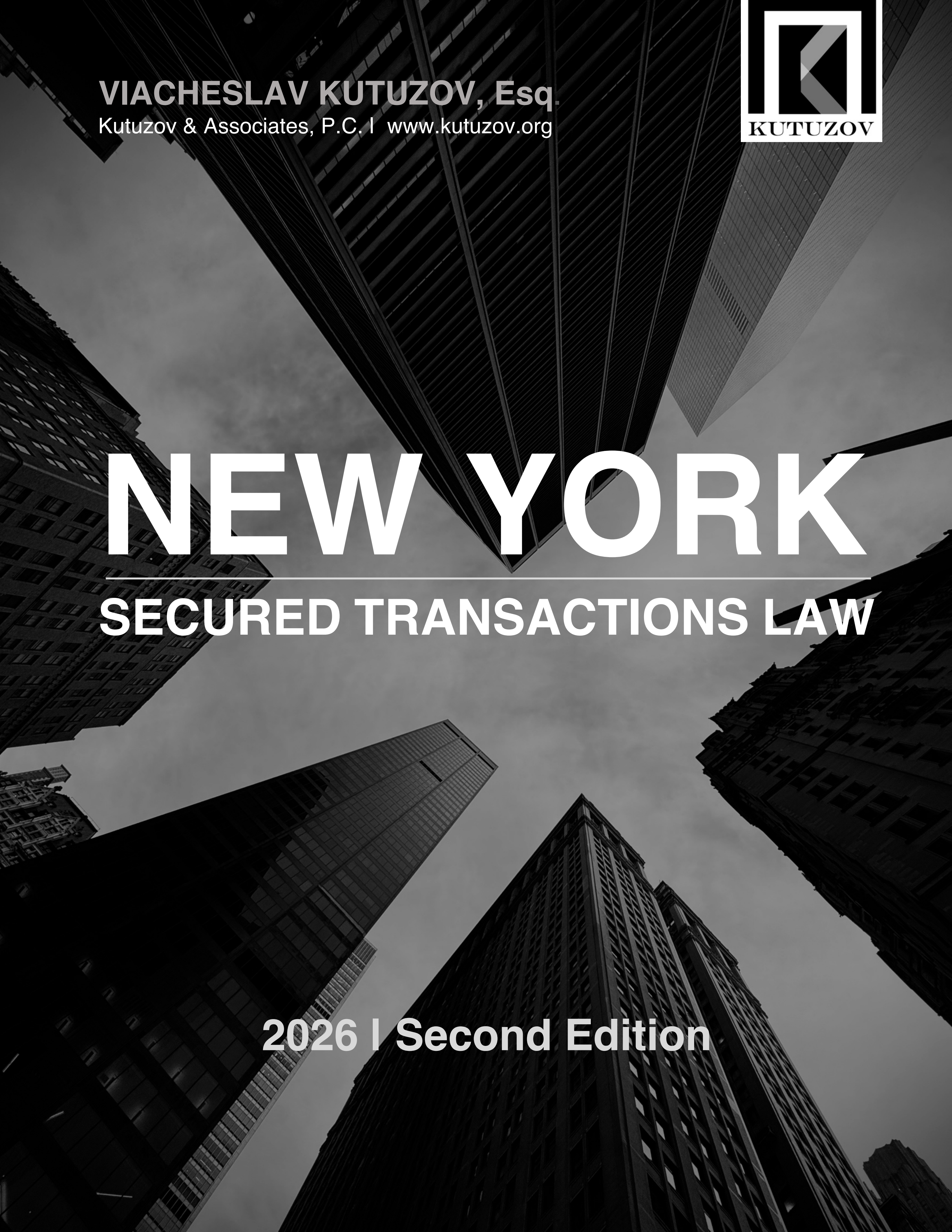
VIACHESLAV KUTUZOV, Esq.
Kutuzov & Associates, P.C. I www.kutuzov.org



NEW YORK

SECURED TRANSACTIONS LAW

2026 I Second Edition

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TABLE OF CONTENTS

HOW SECURED TRANSACTIONS WORK: A PRACTITIONER'S DEEP DIVE INTO NEW YORK SECURED TRANSACTIONS LAW

Uniform Commercial Code Article 9 — a claimant-centered exposition in seven Movements, preceded by a plain-language walkthrough and followed by a New York filing guide. Current through the amendments made by Chapter 579 of the Laws of 2025, effective June 3, 2026; reviewed September 2026.

HOW THIS TREATISE IS ORGANIZED

This treatise abandons the conventional section-by-section march through Article 9. Instead, it follows the **question the statute is built to answer**—who prevails when several parties claim the same collateral—through seven **Movements**. Each Movement isolates one relationship and follows it from formation to resolution, so that readers can understand the principal rules by their function and consult the statutory compilation for the complete provisions. Readers new to the subject should begin with the Prelude, which follows one ordinary loan from signing to repayment or default before any contest of claimants begins.

I. The Secured Party Against the Debtor. Attachment—the three conditions that make a security interest enforceable against the one who granted it.

II. The Secured Party Against the World. Perfection—taking the collateral-specific step that strengthens the interest against third parties, subject to the applicable priority rules, by filing, possession, control, or operation of law.

III. The Secured Party Against the Changing Asset. Proceeds, tracing, and commingling—keeping the interest alive as collateral is sold, collected, and transformed.

IV. The Contest of Claimants. Priority—the default first-to-file-or-perfect rule and the special rules (PMSI, control, buyers, lien creditors, the bankruptcy trustee) that override it.

V. The Reckoning. Default and enforcement—repossession, commercially reasonable disposition, notice, the deficiency/surplus accounting, and the consequences of getting it wrong.

VI. The New York Overlay. Where New York departs from the uniform text—cooperative interests, the 2026 digital-asset amendments, and New York's distinctive interpretive and procedural rules.

VII. Secured Transactions in the Deal. How Article 9 operates inside M&A, investment, and tax structuring—diligence, deal structure, bankruptcy effects, and the tax intersections.

Throughout, shaded **Practice Boxes** flag drafting and litigation traps, and each Movement closes with a "**Fault Lines**" synthesis identifying where the doctrine most often breaks down. A consolidated life-cycle synthesis appears at the end.

ORIENTATION: A MAP FOR THE READER

The organizing idea of this treatise. Most expositions of Article 9 march the reader through the statute in numerical order—definitions, then attachment, then perfection, then priority, then default—because that is the order in which the Code is printed. This treatise deliberately does not. Article 9 is not, at bottom, a sequence of filing mechanics; it is a *system for ranking competing claimants to the same asset*. Everything in the statute exists to answer one recurring question: when two or more parties want the same collateral, who wins, and why? This treatise is built around that question.

Accordingly, the material is arranged into **seven Movements**. The first three build the secured party's position—against the debtor (attachment), against third parties (perfection), and across changes in the asset (proceeds). The next three test that position—against rival claimants (priority), after the debtor's default (enforcement), and under New York's own departures from the uniform text. The seventh places the system inside real transactions. A reader who internalizes the Movements will have a framework for consulting the 144 sections of New York's Article 9, rather than treating them as an undifferentiated list.

Why New York specifically. New York adopted the original Article 9 effective in 1964 and Revised Article 9 effective in 2001, and its text tracks the uniform version closely. But "closely" is not "identically." New York has long carried a signature non-uniform regime for cooperative apartment interests—a category of collateral particularly important to New York City residential lending. On top of that, **Chapter 579 of the Laws of 2025**, signed December 5, 2025 and **effective June 3, 2026**, enacted New York's version of the Uniform Law Commission's **2022** emerging-technologies amendments: a new Article 12 on controllable electronic records, a new Article 12-A on transition, and a raft of conforming Article 9 changes. Article 12-A sets an **adjustment date of June 3, 2027** for pre-existing transactions. Keep the dates apart: 2022 is the uniform text, 2025 the New York enactment, 2026 the effective date, 2027 the end of the main transition period. Both New York features are integrated into the Movements and gathered for ready reference in Movement VI.

HOW TO READ THE CROSS-REFERENCES

Statutory citations are to the New York Uniform Commercial Code ("UCC" or "the Code") unless otherwise noted. A citation such as § 9-203 refers to that section of New York's Article 9. References to the official text and comments of the Uniform Commercial Code are noted as "uniform § —." Federal references (chiefly the Bankruptcy Code) are cited as "11 U.S.C. § —."

Each Movement closes with a short "Fault Lines" synthesis identifying where the doctrine most often breaks down in practice. These are the points worth re-reading before drafting or litigating.

A note on terminology. Effective in 2026, New York conformed its Article 9 vocabulary to the 2022 amendments by replacing "authenticate" with "sign" and "authenticated record" with "signed record" in most of Article 9 (a few provisions, such as §§ 9-620, 9-621 and 9-624, still use the older term). The substance is unchanged—an electronic record adopted with intent to authenticate still qualifies—but the reader will encounter both words depending on the vintage of the source. This treatise uses “sign/signed” as the current term and flags the change where it matters.

PRELUDE — HOW A SECURED LOAN WORKS IN PRACTICE

Before the contest of claimants, it helps to watch an ordinary secured loan work. This Prelude follows one hypothetical New York loan from signing to repayment—and, in an alternative ending, to default. The names and figures are invented, interest and fees are ignored, and every rule mentioned is developed in the Movements that follow.

P.1 WHAT THE LENDER ACTUALLY RECEIVES

A secured lender does not become the owner of the borrower's assets. It receives a **security interest**—an interest in identified personal property or fixtures (the **collateral**) that secures payment or performance of an obligation (§ 1-201(b)(35)). While the loan performs, the borrower keeps and uses its assets in the ordinary way, within whatever limits the loan documents impose. If the borrower defaults, the security interest lets the lender turn to the collateral's value ahead of creditors who have no such interest—subject to the priority rules of Movement IV, the enforcement procedures of Movement V, and bankruptcy law. The lender is still not fully protected: the collateral may be worth less than the debt, others may rank ahead of it, and enforcement has costs and limits.

> **FOUR QUESTIONS TO KEEP APART**
>
> **Attachment**—is the security interest enforceable against the debtor? (§ 9-203; Movement I)
>
> **Perfection**—has the step required for this collateral been taken? (§ 9-308; Movement II)
>
> **Priority**—who ranks first among competing claimants? (§§ 9-317 to 9-339; Movement IV)
>
> **Enforcement**—what may the secured party do after default? (Part 6; Movement V)

P.2 WHO IS WHO

ROLE	WHO IT IS	IN THE EXAMPLE
Debtor	A person with an interest in the collateral, usually the borrower (§ 9-102(a)(28))	Hudson Tool LLC
Obligor	A person who owes payment on the secured obligation (§ 9-102(a)(59)); may differ from the debtor	Hudson Tool LLC
Secondary obligor	A guarantor or other person liable if the obligor does not pay (§ 9-102(a)(72))	Hudson's owner, under a guaranty
Secured party	The person in whose favor the security interest is created (§ 9-102(a)(73))	Empire Bank
Account debtor	A person who owes the debtor on a receivable or similar right (§ 9-102(a)(3))	Hudson's customers

ROLE	WHO IT IS	IN THE EXAMPLE
Competing claimants	Other lenders, lien creditors, buyers, tax authorities, a bankruptcy trustee	The equipment seller (below)

P.3 WHICH DOCUMENT DOES WHAT

DOCUMENT	WHAT IT DOES	WHAT IT DOES NOT DO
Loan agreement and note	Sets the debt, interest, covenants and events of default	Creates a security interest only if it also contains an effective grant satisfying § 9-203
Security agreement	Grants the security interest and describes the collateral (§ 9-203)	Does not itself supply a separate filing, possession or control step; automatic perfection may follow attachment (§ 9-309)
Financing statement (UCC-1)	Gives public notice; perfects most collateral when filed in the right state and office (§§ 9-310, 9-502)	An ordinary notice filing does not itself grant a lien or establish its existence or priority
Deposit account control agreement	Gives the lender control of a deposit account (§ 9-104(a)(2))	Does not impose bank duties beyond those agreed (§ 9-104(c))
Guaranty	Makes another person liable for the debt	Does not grant a security interest unless it says so
Payoff letter, UCC-3 termination, releases	Document payoff, terminate filing effectiveness and release applicable rights (§ 9-513)	A termination alone does not end control agreements or guaranties

P.4 WHAT ARTICLE 9 COVERS—AND WHAT IT DOES NOT

Article 9 applies to transactions creating a security interest in personal property or fixtures by contract (§ 9-109(a)). It also reaches s**ales** of specified payment rights, **consignments** meeting § 9-102(a)(20)'s definition, and agricultural liens. It excludes or defers to other law for most interests in real property, subject to the fixture and other express exceptions; New York cooperative interests are specially regulated personal-property collateral. Other exclusions include landlord's and certain other statutory liens, most insurance and wage claims, and deposit accounts taken as original collateral in consumer transactions (§ 9-109(c)–(d)); § 9-333 separately addresses priority of certain possessory statutory liens. Goods covered by title statutes follow § 9-311 for perfection. Federal law may govern some collateral, and consumer-protection laws apply alongside Article 9 (§ 9-201(b)).

P.5 ONE LOAN FROM START TO FINISH

Closing. Empire Bank agrees to lend Hudson Tool LLC, a New York limited liability company, up to $500,000 on a revolving basis. Hudson signs a loan agreement and a security agreement granting a security interest in its inventory, equipment, accounts, general intangibles and deposit accounts, now owned or later acquired, and their proceeds. Hudson's owner signs a guaranty. Empire Bank searches the Department of State records under Hudson's exact name as shown on its articles of organization, finds no earlier filings, and files a UCC-1 that describes the collateral as "all assets." Hudson's operating account is at another bank, so Hudson, Empire Bank and that bank sign a deposit account control agreement.

What has happened legally. The security interest **attached** when the last of three things occurred: value (the loan commitment), Hudson's rights in its assets, and the signed security agreement (§ 9-203). It is **perfected** in inventory, equipment, accounts and general intangibles by the filing, and in the deposit account by control. Against later filers, Empire Bank's **priority** dates from its filing (§ 9-322(a)(1)). Nothing has yet been **enforced**, and nothing needs to be while Hudson pays.

Ordinary operations. Hudson draws $300,000 and keeps running its business. It sells tools to customers in the ordinary course; those customers take free of the bank's security interest (§ 9-320(a)), and the interest continues in the proceeds—first the customers' unpaid invoices (accounts), then the payments collected into the controlled account (§ 9-315). New inventory Hudson buys becomes collateral automatically under the after-acquired clause. Hudson keeps using the account day to day; control does not require the bank to block withdrawals (§ 9-104(b)).

A new asset with its own lender. Hudson then buys a $120,000 milling machine on credit from its manufacturer, which retains a security interest to secure the price and files within 20 days after Hudson receives the machine. That **purchase-money security interest** outranks Empire Bank's earlier blanket filing as to the machine (§ 9-324(a)), even though Empire Bank filed first. Empire Bank keeps a junior interest in the machine.

Repayment. If Hudson repays in full and the commitment ends, Empire Bank issues a payoff letter, files a UCC-3 termination within 20 days after Hudson's signed demand (§ 9-513(c)), terminates the control agreement, and releases the guaranty as the documents provide. Each of those steps is separate; filing the termination alone does not complete the others.

Alternative ending: default. Suppose instead that Hudson misses payments and an event of default occurs under the loan agreement. Empire Bank accelerates the $300,000 balance, as the agreement permits. It notifies Hudson's customers to pay it directly (§§ 9-406, 9-607), instructs the account bank under the control agreement, and—without breach of the peace—takes possession of the inventory (§ 9-609). Assume the receivable and account collections yield nothing and no other creditor has a notifiable interest in the inventory. It sends a signed notification of disposition to Hudson and the guarantor (§ 9-611) and sells the inventory in a commercially reasonable manner for $210,000 (§ 9-610). After $10,000 of reasonable expenses, $200,000 is applied to the debt (§ 9-615(a)). Hudson as obligor, and its owner under the guaranty, remain liable for the $100,000 deficiency—unless Empire Bank's failure to follow Part 6 reduces or eliminates it (§ 9-626). The equipment seller need not receive notice of this inventory sale solely because it holds a lien on the milling machine. If Empire separately sells that machine as a junior secured party, the buyer ordinarily takes it subject to the manufacturer's senior lien (§ 9-617); a sale free of that lien would require an effective release or another applicable legal basis, commonly a negotiated payoff.

If Hudson files for bankruptcy instead. The automatic stay halts collection and repossession (11 U.S.C. § 362). Empire Bank's position then depends on whether its interest could be avoided by the trustee (§ 544(a)), whether any transfer to it is a preference (§ 547), and the value of the collateral (§ 506). Movement VII explains these effects.

MOVEMENT I — THE SECURED PARTY AGAINST THE DEBTOR: ATTACHMENT

Before a secured party can defeat anyone, it must first have a security interest that binds the one person who agreed to give it—the debtor. That binding event is **attachment**. Attachment is the floor of the entire system: an interest that has not attached cannot be perfected, cannot take priority, and cannot be enforced. Section 9-203 supplies the three conditions, and the deceptively simple proposition that all three must coexist is the source of a surprising amount of litigation.

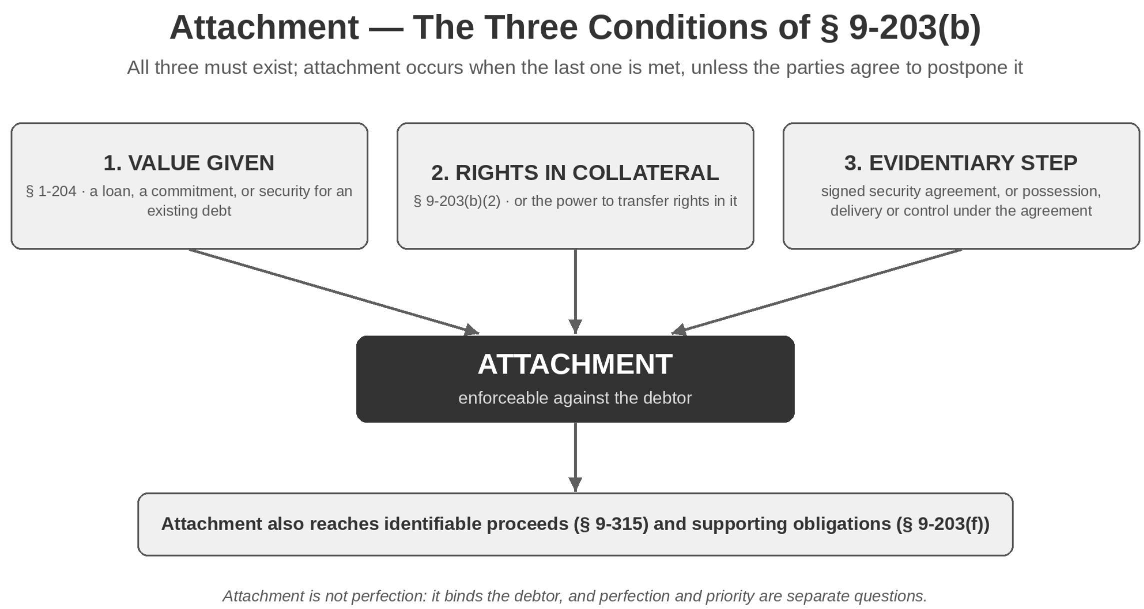

Figure 1. The three coexisting conditions of attachment under § 9-203(b).

1.1 THE THREE CONDITIONS OF § 9-203(B)

Under § 9-203(a)–(b), a security interest attaches and becomes enforceable against the debtor when three things have all occurred, in any order—unless the parties have expressly agreed to postpone attachment, and subject to the special cases listed in § 9-203(c): (1) **value has been given**; (2) the **debtor has rights in the collateral** (or the power to transfer rights in it to the secured party); and (3) one of the **evidentiary conditions** of § 9-203(b)(3) is satisfied—most commonly, the debtor has signed a security agreement that provides a description of the collateral. The conditions are conjunctive but not sequential; attachment occurs at the instant the last of the three falls into place.

1.1.1 VALUE

“Value” is defined expansively in § 1-204. It includes any consideration sufficient to support a simple contract, a binding commitment to extend credit, the acquisition of rights as security for a pre-existing claim, and the total or partial satisfaction of a pre-existing claim. The breadth matters: a lender does not have to advance new money for value to be present. Securing yesterday’s unpaid loan is value today. Thus, antecedent debt supports Article 9 attachment. Bankruptcy asks a different question: a lien securing an old debt may be an avoidable preference if the requirements of 11 U.S.C. § 547(b) are met. Securing old debt alone does not establish the contemporaneous-exchange-for-new-value defense in § 547(c)(1).

> **DRAFTING POINT — FUTURE ADVANCES**
> A future-advances clause (authorized by § 9-204(c)) lets the same collateral secure not only the present loan but later advances, “whether or not the advances or value are given pursuant to commitment.” For a revolving facility this is indispensable; without it, each new draw would need a fresh grant. Note the interaction with priority: under § 9-323, the date from which a future advance enjoys priority can differ from the date the advance is actually made, a trap addressed in Movement IV.

1.1.2 RIGHTS IN THE COLLATERAL

A debtor cannot grant what it does not have—*nemo dat quod non habet*—but Article 9 softens the maxim in two directions. First, § 9-203(b)(2) requires only that the debtor have “rights in the collateral or the power to transfer rights in the collateral to a secured party.” That power does not come from possession alone: holding someone else’s goods does not by itself let the debtor encumber them. It arises only where a rule of law confers it—for example, the consignment rule of § 9-319 or Article 2’s voidable-title rules; entrustment has its own narrower protection for a buyer in ordinary course and should not be assumed to authorize a pledge. Second, the timing of “rights” is elastic: under an after-acquired property clause (§ 9-204(a)), a security interest may reach collateral the debtor acquires after the agreement is signed, attaching as each new item comes into the debtor’s hands.

Two statutory brakes on after-acquired clauses. Section 9-204(b) withholds attachment under an after-acquired clause for (i) consumer goods—other than an accession given as additional security—unless the debtor acquires rights in them within ten days after the secured party gives value, and (ii) commercial tort claims. New § 9-204(b-1) confirms that these limits do not stop a security interest from reaching such property as proceeds or commingled goods. The consumer-goods limit prevents a household borrower from unwittingly encumbering every future appliance; the commercial-tort limit forces the parties to describe a litigation claim specifically once it exists.

1.1.3 THE EVIDENTIARY CONDITION: SECURITY AGREEMENT, POSSESSION, OR CONTROL

The third condition can be met in several ways, each tied to particular collateral. The default route is a **signed security agreement** that describes the collateral (§ 9-203(b)(3)(A)). The alternatives are: collateral (other than a certificated security) in the secured party's **possession** under § 9-313 pursuant to the debtor's security agreement (subparagraph (B)); a certificated security in registered form **delivered** to the secured party under § 8-301 pursuant to the security agreement (subparagraph (C)); **control** of controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, investment property or letter-of-credit rights under the listed control sections, pursuant to the security agreement (subparagraph (D)); and, for chattel paper, **possession and control** under § 9-314A pursuant to the security agreement (subparagraph (E)). Note what the alternatives replace: they replace the debtor's signature and the written description, not the agreement itself. There must still be a security agreement.

The description must "reasonably identify" the collateral. Section 9-108 is the governing yardstick. A description is sufficient if it makes the collateral objectively determinable—by specific listing, by category, by a defined Article 9 type, by quantity, or by any other method where the identity is objectively ascertainable. But § 9-108(c) provides that a supergeneric description such as "all the debtor's assets" or "all personal property" does **not** reasonably identify the collateral in a security agreement, and § 9-108(e) adds that a description only by type is insufficient for a commercial tort claim and, in a consumer transaction, for consumer goods, a security entitlement, a securities account or a commodity account; a cooperative interest also cannot be described only by its statutory type (§ 9-108(e)(3)). This is a key asymmetry in the formation analysis, and it trips up careful lawyers: a phrase insufficient as the sole collateral description in the security agreement is expressly permitted in the financing statement (§ 9-504(2)). The financing statement merely gives notice to searchers, who can inquire further; the security agreement defines the actual grant, and so must be specific enough to show what the debtor meant to encumber.

> **THE ASYMMETRY, STATED AS A RULE**
>
> Security agreement: "all assets" is INSUFFICIENT (§ 9-108(c)). Use Article 9 collateral types or specific descriptions.
>
> Financing statement: "all assets" / "all personal property" is SUFFICIENT (§ 9-504(2)). Supergeneric notice is allowed.
>
> Practice consequence: a lender intending a blanket lien should describe the covered property by collateral types (accounts, inventory, equipment, general intangibles, etc.) or another sufficient § 9-108 method, observing the subsection (e) exceptions even though the UCC-1 may say "all assets."

1.2 WHAT ATTACHMENT AUTOMATICALLY SWEEPS IN

Attachment is not limited to the items named. Two automatic add-ons follow by operation of law. Under § 9-203(f), attachment of a security interest in collateral gives the secured party rights to **proceeds** under § 9-315 and to a **supporting obligation** (such as a guaranty or letter-of-credit right that backs an account). Under § 9-203(g), a security interest in a right to payment automatically carries the security interest, mortgage, or other lien that secures that right. The drafter therefore need not separately grant “proceeds”; the statute supplies them. The litigation question is rarely whether proceeds are covered but whether they remain *identifiable*—a tracing problem taken up in Movement III.

Contract rights and assignment restrictions. “General intangibles” includes many contract, license and other intangible rights that do not fit a more specific category. Sections 9-406 through 9-409 limit some restrictions on assignment or creation of a security interest, but their reach differs. Under § 9-408, overriding a restriction for attachment and perfection does not necessarily let the lender enforce against the account debtor, compel performance, use a license or obtain confidential information. A lien on a license and the right to operate the licensed business are different things. Check the underlying agreement and other applicable law before attributing realizable value to this collateral.

1.3 SPECIAL FORMATION PROBLEMS

1.3.1 THE “COMPOSITE DOCUMENT” RULE

Courts do not always insist that a single piece of paper bear the title “Security Agreement.” Under what is often called the “composite document” approach, some courts have read a promissory note, a financing statement, correspondence and board resolutions together as evidencing both an intent to grant a security interest and a description of the collateral. The approach is fact-specific, results vary, and New York decisions should be checked before any reliance on it. It is a litigation fallback, not a drafting method: the signed record or records must evidence an agreement creating or providing for a security interest; an ordinary notice-only financing statement is insufficient, and no lender should plan to assemble its security agreement after the fact from closing papers. Sign a proper security agreement at closing.

1.3.2 CONSIGNMENTS AND LEASES INTENDED AS SECURITY

Article 9 reaches certain transactions that the parties did not label as secured loans. A “consignment” within § 9-102(a)(20) is treated as a secured transaction for priority and filing purposes, so a consignor who fails to file may lose the goods to the consignee’s creditors. Likewise, a transaction structured as a “lease” but functioning as a disguised security interest is governed by Article 9. Section 1-203 supplies the test. A lease creates a security interest if the lessee cannot terminate its payment obligation and **any one** of four conditions is met: the original term equals or exceeds the remaining economic life of the goods; the lessee is bound to renew for that remaining life or to become the owner; the lessee has an option to renew for that remaining life for no or nominal additional consideration; or the lessee has an option to become the owner for no or nominal additional consideration. If none applies, the answer turns on all the facts. Getting this characterization wrong is expensive: the putative lessor who should have filed and did not is unperfected.

FAULT LINES OF MOVEMENT I

- Relying solely on a supergeneric description in the security agreement (§ 9-108(c)); adding "all assets" does not invalidate an otherwise sufficient description.
- Reliance on an ordinary notice-only financing statement as the granting document; a document's substance, not its title, determines whether it is a security agreement.
- After-acquired consumer goods and commercial tort claims assumed to be covered when § 9-204(b) excludes them (outside the accession and proceeds exceptions).
- Disguised leases and unfiled consignments treated as outside Article 9.

MOVEMENT II — THE SECURED PARTY AGAINST THE WORLD: PERFECTION

Attachment makes the security interest enforceable against the debtor. **Perfection** is a separate step that strengthens the secured party's position against third parties—above all, against a lien creditor and a bankruptcy trustee. It is not a guarantee of winning. A perfected secured party can still lose to an earlier-ranking secured party, to a purchase-money or control-based priority, to a buyer protected by a take-free rule, to certain statutory and tax liens, or to a bankruptcy avoidance action. Nor does perfection always mean public notice: some interests are perfected automatically, and others by possession or control. Keep four questions apart throughout: **attachment** (is the interest enforceable against the debtor?), **perfection** (has the required step been taken?), **priority** (who ranks first among competing claimants?), and **enforcement** (what may be done after default?). The Code offers four perfection methods, and the collateral type determines which are available.

2.1 THE FOUR METHODS AND THE COLLATERAL MATRIX

The Perfection Matrix — Collateral Type Dictates the Method

Principal methods only · classify the asset first · perfection and priority are separate

COLLATERAL	HOW TO PERFECT
Equipment, inventory, accounts, general intangibles	FILING
Tangible money / electronic money	POSSESSION / CONTROL, respectively
Instruments	FILING or POSSESSION
Chattel paper	FILING, or possession/control of all authoritative copies (§ 9-314A)
Deposit accounts (original collateral)	CONTROL only (consumer-transaction exclusion applies)
Investment property	CONTROL, FILING, or delivery of certificated securities
Letter-of-credit rights (not supporting obligations)	CONTROL only
CERs, controllable accounts / payment intangibles	CONTROL or FILING; control has priority (§ 9-326A)
Titled goods (subject to statutory exceptions)	COMPLIANCE with the applicable title statute (§ 9-311)
PMSI in consumer goods (subject to § 9-311)	AUTOMATIC on attachment
Negotiable documents (tangible / electronic)	FILING or POSSESSION / CONTROL, respectively
Cooperative interests (ordinary share-loan lender)	LOCAL FILING; timely addendum gives 50-year initial duration

Cooperative organization security interests are automatically perfected (§ 9-308(h)). Proceeds and temporary rules may differ.

Figure 2. The perfection matrix — collateral type dictates the method.

Perfection occurs by (a) filing a financing statement; (b) possession of the collateral; (c) control of certain intangible or quasi-intangible collateral; or (d) automatically upon attachment for a defined set of interests. Section 9-308 ties the concept together: a security interest is perfected when it has attached and all applicable steps for perfection have been taken, whichever occurs later, with continuity preserved under § 9-308(c) when the method changes without a gap. What perfection is worth in a particular contest is a separate question, answered by the priority rules of §§ 9-317 through 9-339.

COLLATERAL TYPE	PRIMARY PERFECTION METHOD	KEY SECTIONS
Equipment, inventory, farm products, general intangibles, accounts	Filing	§§ 9-310(a), 9-312(a)
Money (tangible and electronic)	Tangible money: possession only. Electronic money: control only	§§ 9-312(b)(3)–(4), 9-313, 9-314, 9-105A
Goods covered by a certificate of title (e.g., motor vehicles not held as inventory)	Compliance with the title statute (notation on the certificate); a UCC filing does not perfect	§ 9-311(a)(2)–(b)
Instruments (notes, drafts)	Filing or possession; 20-day automatic on new value	§§ 9-312(a),(e); 9-313
Deposit accounts (as original collateral)	Control only (a deposit account assigned in a consumer transaction is outside Article 9 except as proceeds, § 9-109(d)(13))	§§ 9-312(b)(1), 9-314, 9-104
Investment property	Control (best priority), filing, or delivery of a certificated security	§§ 9-312(a), 9-313, 9-314, 9-106, 9-328
Letter-of-credit rights (non-supporting)	Control only	§§ 9-312(b)(2), 9-314, 9-107
Chattel paper	Filing, or possession of each authoritative tangible copy plus control of each authoritative electronic copy	§§ 9-312(a), 9-314A, 9-105
Controllable electronic records / accounts / payment intangibles (2026)	Filing, or control (control gives priority, § 9-326A)	§§ 9-312(a), 9-314, 9-107A, 9-326A; § 12-105
Cooperative interests (NY)	Local filing; a timely cooperative addendum gives 50-year initial effectiveness. The cooperative organization's own interest is automatically perfected (§ 9-308(h))	§§ 9-310(d), 9-501, 9-515(h) (NY)

The matrix states the principal methods only. Classify the asset first—an item's Article 9 type, not its physical form, decides the method—and read the cited sections for exceptions, including temporary automatic perfection (§ 9-312(e)–(g)) and perfection in proceeds (§ 9-315). A deposit *account that merely holds identifiable proceeds is governed by the proceeds rules, not by this table.*

2.2 PERFECTION BY FILING

Filing is the default and the workhorse. A financing statement (the UCC-1) is not the security agreement; it is a notice document. Four questions must be kept apart. **Is it legally sufficient?** Section 9-502(a) requires the debtor's name, the secured party's (or its representative's) name, and an indication of collateral; subsection (a)(4) adds the unit designation and street address for a cooperative interest. Additional requirements apply under § 9-502(b) and, when used, the cooperative-addendum provisions in subsection (e). **Was the filing authorized?** Only a filing the debtor authorized is effective (§§ 9-509, 9-510). **Must the office accept it?** The office may refuse a record only for the reasons listed in § 9-516(b), which include missing information the statute requires; an authorized refusal prevents filing, but § 9-516(d) can make an improperly rejected record effective as filed, subject to its purchaser exception. **Does it perfect the intended interest?** Only if filing is a permitted method for that collateral, in the right state and the right office. An accepted UCC-1 is proof that a record was filed—not that a security interest exists, is perfected, or has priority.

2.2.1 THE DEBTOR'S NAME — THE HIGH-STAKES FIELD

Because financing statements are indexed and searched by debtor name, an error there can be fatal in a way that an error elsewhere is not. Section 9-503 prescribes the correct name. For a registered organization (a corporation, LLC, or limited partnership), the name is the one stated on the **public organic record** most recently filed with or issued by its jurisdiction of organization that purports to state, amend, or restate its name—typically the charter or articles, not a trade name or a database display. Estates and trusts have their own rules (§ 9-503(a)(2)–(3)). For an individual, New York adopted the "only if" approach: if New York has issued the individual an **unexpired** driver's license or non-driver photo ID, the financing statement is sufficient only if it provides the name indicated on that card (§ 9-503(a)(4)); if more than one such card has been issued, the most recently issued one controls (§ 9-503(g)). If the individual has no such New York card, the statement must provide the individual name of the debtor or the debtor's surname and first personal name (§ 9-503(a)(5)). The rule is bright-line, at the cost of requiring lenders to obtain and re-check the card.

The seriously-misleading test. Section 9-506 saves minor errors but not major ones. A financing statement that is *seriously misleading* is ineffective. A name error is rescued only if a search of the filing office's records under the debtor's correct name, using the office's standard search logic, would nonetheless disclose the financing statement (§ 9-506(c)). If the standard search does not turn it up, the filing fails even if a diligent human searcher might have found it by guessing variations. New York's Department of State enters the debtor's name exactly as the filer types it and disclaims responsibility for the filer's spelling—so the burden of exactitude rests entirely on the secured party.

> **NEW YORK FILING GEOGRAPHY — A NON-UNIFORM WRINKLE**
>
> First confirm that New York law governs perfection by filing (Part 3, Subpart 1: generally the law of the debtor's location, § 9-301(a)). Only then does § 9-501 pick the New York office, which depends on the collateral:
>
> • Department of State (Albany): the default for most personal-property collateral—accounts, inventory, equipment, general intangibles, and the like.
>
> • County clerk (in New York City, the City Register for Manhattan, the Bronx, Brooklyn and Queens, and the Richmond County Clerk for Staten Island): as-extracted collateral and timber to be cut; fixture filings on goods that are or become fixtures; and—uniquely—cooperative interests, filed where a mortgage on the underlying real property would be recorded.
>
> An ordinary Albany filing can perfect a security interest in goods that are or become fixtures, but priority against real-property owners and encumbrancers under § 9-334 generally requires a **fixture filing** in the local office. Mixed collateral may therefore need filings in BOTH offices. A filing in the wrong office is ineffective for the collateral that belonged elsewhere.

2.2.2 INDICATION OF COLLATERAL ON THE UCC-1

Section 9-504 permits the financing statement to indicate collateral by a description meeting § 9-108 *or* by the supergeneric phrase "all assets" or "all personal property." As Movement I stressed, this latitude is the mirror image of the security agreement's strictness. The notice function tolerates breadth because a searcher who sees "all assets" is on inquiry notice and can demand details from the debtor or secured party.

2.3 PERFECTION BY POSSESSION

For tangible collateral that can be physically held, possession is an ancient and effective substitute for filing (§ 9-313). Possession is the only way to perfect a security interest in **tangible money** as original collateral (§ 9-312(b)(3)); **electronic money** is perfected only by control (§§ 9-312(b)(4), 9-105A). Possession also perfects interests in negotiable tangible documents, instruments, certificated securities (by delivery) and goods; for chattel paper, possession of each authoritative tangible copy must be combined with control of each authoritative electronic copy under § 9-314A. Possession may be actual or through an agent, and § 9-313(c) addresses perfection where a third party in possession signs a record acknowledging that it holds for the secured party. The pledge's great virtue is that it removes the asset from the debtor's apparent ownership, defeating the "false wealth" problem the filing system otherwise solves.

2.4 PERFECTION BY CONTROL

Control is the method engineered for collateral that has no tangible form to possess and whose value can move instantly. It is the exclusive method for deposit accounts taken as original collateral (§ 9-312(b)(1)), for electronic money (§ 9-312(b)(4)) and for letter-of-credit rights that are not supporting obligations (§ 9-312(b)(2)), and the preferred method for investment property and controllable electronic records because control confers priority (§§ 9-328, 9-326A). The mechanics differ by collateral:

- **Deposit accounts (§ 9-104).** There are five routes: (1) the secured party is the bank that maintains the account; (2) the debtor, secured party and bank agree in a signed record that the bank will follow the secured party's instructions without the debtor's further consent (a "control agreement"); (3) the secured party becomes the bank's customer on the account; (4) the name on the account is the secured party's name or indicates the secured party's security interest; or (5) another person, other than the debtor, has or obtains control and acknowledges that it does so on the secured party's behalf. The debtor may keep using the account without defeating control (§ 9-104(b)); under subsection (d), a bank's duty to follow instructions may be conditional, provided no further debtor consent is required, and neither a control agreement nor account naming imposes on the bank duties it has not expressly agreed to (§ 9-104(c)).
- Investment property (§ 9-106): control follows the Article 8 concepts—e.g., the secured party becoming the entitlement holder or obtaining a control agreement with the securities intermediary.
- **Chattel paper and controllable electronic records.** These have different control tests. Under § 9-105(a), a system must reliably establish the purchaser as the assignee of the authoritative electronic copy of the chattel-paper record. Subsections (b) and (c) provide alternative ways to satisfy that standard: the former addresses a single authoritative copy; the latter requires identifying authoritative copies and the assignee, together with exclusive powers to prevent changes to the identified assignee and to transfer control, subject to the statutory qualifications. For a controllable electronic record, § 12-105 (through § 9-107A) instead addresses the power to obtain substantially all the benefit, the requisite exclusive powers to prevent others from obtaining that benefit and to transfer control, and identification of the controller. Apply the test for the particular asset; these formulations are not interchangeable.

WHY CONTROL BEATS FILING FOR DEPOSIT ACCOUNTS AND SECURITIES

A party perfected by control of a deposit account or investment property generally outranks a party perfected by another method, regardless of filing dates (§§ 9-327, 9-328). Among parties with control of a deposit account, the depositary bank's own security interest generally ranks first (§ 9-327(c))—but a secured party that has become the bank's customer on the account under § 9-104(a)(3) outranks the bank (§ 9-327(d)). The bank's rights of setoff and recoupment are a separate matter, governed by § 9-340. And a lender that takes a security interest in a borrower's operating account but only files has not perfected at all as to the account as original collateral (§ 9-312(b)(1)); a filing reaches the balance only to the extent it holds identifiable proceeds of other collateral.

2.5 AUTOMATIC PERFECTION

Some interests perfect on attachment with no further act, under § 9-309. The most important is the **purchase-money security interest (PMSI) in consumer goods**, which is perfected automatically (§ 9-309(1)). A retailer who finances a household refrigerator need not file to be perfected against the consumer and lien creditors—though, as Movement IV explains, automatic perfection does not always defeat a *good-faith buyer* of the consumer good under § 9-320(b). Other automatically perfected interests include certain assignments of accounts that are not significant relative to the assignor's outstanding accounts, sales of payment intangibles and promissory notes, and several specialized categories. Automatic perfection is a convenience for high-volume, low-value transactions where filing would be uneconomic.

2.6 MAINTAINING PERFECTION ACROSS TIME AND SPACE

2.6.1 DURATION AND LAPSE

A filed financing statement is generally effective for five years (§ 9-515(a)), with exceptions: in New York, an initial financing statement covering a cooperative interest is effective for **50 years** if a cooperative addendum is filed with it or before it lapses (§ 9-515(h)), and longer periods apply to manufactured-home, public-finance and transmitting-utility filings. Effectiveness lapses at the end of the period unless a continuation statement is filed within the six-month window before lapse (§ 9-515(d)). Lapse is unforgiving: under § 9-515(c), the interest becomes unperfected unless perfected by another method; if it becomes unperfected, it is deemed never to have been perfected as against a purchaser of the collateral for value—meaning a once-senior secured party can be demoted relative to those purchasers. Diary control of continuation deadlines is therefore a core risk-management task, not a clerical afterthought.

2.6.2 CHANGE IN GOVERNING LAW AND DEBTOR RELOCATION

Perfection by filing for most ordinary collateral is governed by the law of the debtor's **location** (§§ 9-301, 9-307). A registered organization is located in its state of organization; an individual is located at the individual's principal residence. For an interest covered by § 9-316(a), a move ordinarily allows **four months** to perfect under the new jurisdiction's law, but only until any earlier time perfection would have ended under the old law. Transfer of collateral to a person that thereby becomes a debtor in another jurisdiction ordinarily allows one year, likewise subject to earlier expiration. Failure to perfect in time can make the interest unperfected and deemed never perfected against purchasers for value. These rules do not replace collateral-specific governing-law provisions.

New collateral and new debtors. Section 9-316(h) separately addresses collateral acquired within four months after relocation; subsection (i) addresses collateral of a new debtor in another jurisdiction that becomes bound by the original agreement. These are not general one-year extensions for all after-acquired property. Section 9-316(f) supplies a separate rule when the relevant bank, intermediary, chattel-paper or CER jurisdiction changes. Identify the event, the collateral and the applicable deadline before relying on a grace period.

2.6.3 NAME CHANGES

If a debtor's name changes so that the filed financing statement becomes seriously misleading, § 9-507(c) keeps the filing effective for collateral acquired before, and for four months after, the change—but a filing amendment adding the new name is required to reach collateral acquired more than four months later. The interaction of name-change rules with New York's individual-name (driver's-license) standard makes periodic re-verification of debtor identity a recurring duty.

Duties during the loan. A secured party holding collateral must observe the applicable care, accounting and use obligations in § 9-207. Under § 9-210, a debtor may request an accounting or confirmation of the collateral or secured obligations; the statute generally requires a response within 14 days, subject to its exceptions. On payoff and termination of the commitment, §§ 9-208 and 9-209 impose collateral-specific duties, generally after a signed demand, to relinquish control or notify account debtors of the end of the lender's interest. These acts are distinct from filing a UCC-3 termination under § 9-513.

FAULT LINES OF MOVEMENT II

- Treating the UCC-1 as the grant rather than as notice; or, conversely, unnecessarily narrowing an authorized blanket filing. A broader "all assets" indication requires adequate filing authorization (§ 9-509).
- Filing alone does not perfect a deposit account as original collateral; investment property may be perfected by filing but lose priority to control. Analyze proceeds separately.
- Filing in the wrong New York office—especially missing a local co-op filing or a fixture filing needed for the intended real-property priority.
- Missing the applicable continuation deadline or the § 9-316 re-perfection deadline after relocation, triggering retroactive subordination under §§ 9-515(c)/9-316.

MOVEMENT III — THE SECURED PARTY AGAINST THE CHANGING ASSET: PROCEEDS, TRACING, AND COMMINGLING

Collateral rarely sits still. Inventory is sold, accounts are collected, equipment is traded in, deposit balances are spent and replenished. A security interest that died the moment its original collateral changed form would be nearly worthless. Movement III addresses the doctrines that keep the interest alive as the asset mutates—and the limits of those doctrines.

3.1 THE AUTOMATIC REACH OF PROCEEDS

Section 9-315(a) supplies two foundational rules. First, a security interest **continues in collateral** notwithstanding sale or other disposition, unless the secured party authorized the disposition free of the interest. Second, it **attaches to any identifiable proceeds** of the collateral. "Proceeds" is defined broadly in § 9-102(a)(64) to include whatever is acquired upon disposition, collection, or use of the collateral, plus rights arising out of it and insurance payable by reason of loss. The interest in proceeds is automatic; no separate grant or new filing is needed at the moment of disposition.

3.2 STAYING PERFECTED IN PROCEEDS: THE 20-DAY RULE

Automatic attachment to proceeds is not the same as continued perfection. Under § 9-315(c), perfection carries over automatically to proceeds if the security interest in the original collateral was perfected; an unperfected original interest does not supply this automatic protection, although the proceeds interest may be perfected independently. Under § 9-315(d), that perfection lapses on the 21st day after the security interest attaches to the proceeds unless one of three conditions holds: (1) a filed financing statement covers the original collateral, the proceeds are collateral in which a security interest may be perfected by filing in the **same office**, and the proceeds were not acquired with cash proceeds—whether or not the original description mentions the proceeds' category; (2) the proceeds are identifiable **cash proceeds**; or (3) the security interest in the proceeds is perfected other than under subsection (c) when it attaches to the proceeds or within twenty days thereafter. The identifiable-cash-proceeds branch is the most litigated, because cash blends.

3.3 IDENTIFIABILITY AND TRACING

Proceeds are protected only so long as they remain identifiable. When non-cash proceeds (a traded-in machine, a customer's promissory note) are involved, identification is usually straightforward. Note that a **check** is cash proceeds, not non-cash proceeds: § 9-102(a)(9) defines cash proceeds as money, checks, deposit accounts, or the like. The hard case is cash proceeds deposited into an account that also holds the debtor's other funds. Section 9-315(b)(2) permits identification by a method of tracing, including equitable principles, that is permitted under law other than Article 9 for commingled property of that type. The method courts most often apply to commingled bank accounts, in New York and elsewhere, is the **lowest intermediate balance rule**, which rests on the assumption that the debtor spends its own (unencumbered) money first. Two cautions follow. Tracing identifies proceeds; it does not decide priority—a traced balance may still be subject to the depositary bank's rights (§§ 9-327, 9-340). And a transferee who receives funds from the account without colluding with the debtor takes them free of the security interest (§ 9-332(b)), so a tracing calculation does not create a claim against every recipient.

WORKED EXAMPLE — LOWEST INTERMEDIATE BALANCE

Day 1: debtor deposits $50,000 of identifiable proceeds into an account holding $20,000 of its own funds (balance $70,000).

Day 5: debtor spends $60,000 (balance $10,000). Spending hits the debtor's own money first, then proceeds; traceable proceeds now $10,000—the lowest intermediate balance.

Day 9: debtor deposits $40,000 of unrelated funds (balance $50,000). The secured party's traceable claim remains capped at $10,000; later unrelated deposits do not replenish proceeds.

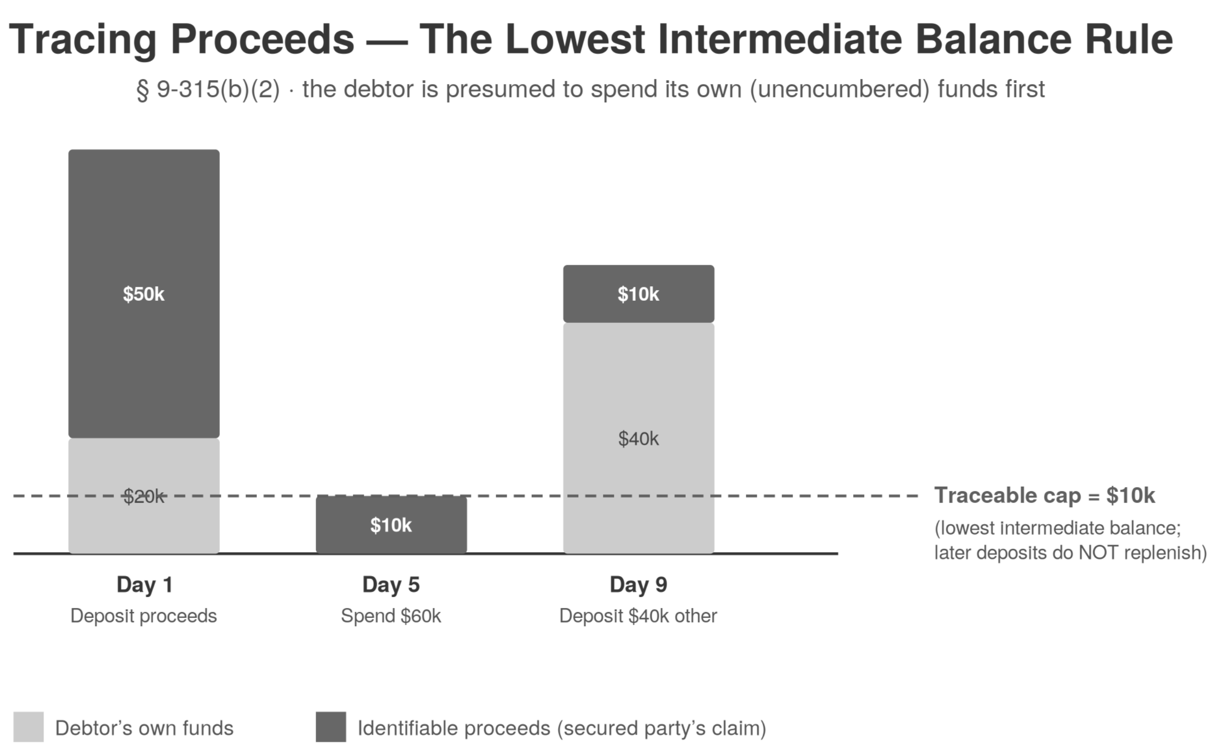

Figure 3. Tracing cash proceeds through a commingled account: the lowest intermediate balance rule.

3.4 PHYSICAL COMBINATION: ACCESSIONS AND COMMINGLED GOODS

Two sections handle physical merger. Under § 9-335, a security interest in an **accession** (goods physically united with other goods, like a new engine in a truck) generally survives the union and retains its separate priority, with special rules where the whole is covered by a certificate of title. Under § 9-336, when goods are so **commingled** that their identity is lost in a product or mass (flour baked into bread), the security interest does not survive in the original goods but attaches to the *product or mass*, and competing perfected interests in the commingled goods rank *equally* in proportion to the collateral's value when it became commingled. The sharing formula applies to qualifying interests in commingled goods; accessions retain their separate identity and follow § 9-335's rules.

3.5 PROCEEDS ACROSS MOVEMENT BOUNDARIES

Proceeds doctrine connects to priority (Movement IV) through § 9-322(b), which generally lets a perfected security interest in proceeds take the priority date of the original collateral, and to enforcement (Movement V) through § 9-315(a)'s continuation in collateral after unauthorized disposition—the doctrinal basis for pursuing collateral into a buyer's hands when the buyer does not take free. A central practical lesson is that authorization is the hinge: if the secured party authorized the sale free of its interest (expressly or by course of dealing, as commonly happens with inventory sold to ordinary customers), the interest is cut off in the collateral and the secured party must look to proceeds; if it did not, the interest rides along unless the buyer is protected by a take-free rule.

FAULT LINES OF MOVEMENT III

- Assuming proceeds stay perfected indefinitely; absent a qualifying condition, perfection in proceeds ends on the 21st day (§ 9-315(d)), and automatic proceeds perfection does not arise from an unperfected original interest, although independent perfection remains possible (§ 9-315(c)).
- Failing to trace cash proceeds before claiming a commingled account—and treating a successful trace as if it also settled priority against the bank or a transferee of funds.
- Overlooking that authorized inventory sales cut off the interest in the goods and relegate the secured party to proceeds.
- Confusing accessions, in which the interest generally continues in the identifiable goods (§ 9-335), with goods whose identity is lost in a product or mass (§ 9-336).

MOVEMENT IV — THE CONTEST OF CLAIMANTS: PRIORITY

Priority is the payoff of everything that came before. The rules of Movements I–III exist so that, in this Movement, a court can rank the parties fighting over one asset and pay them in order. Article 9 does not announce a single priority rule; it deploys a **default rule** and then a series of **special rules** that override the default for particular collateral or particular claimants. The disciplined approach is to identify the contestants first, then select the rule the Code assigns to that specific matchup.

4.1 THE DEFAULT RULE: FIRST TO FILE OR PERFECT

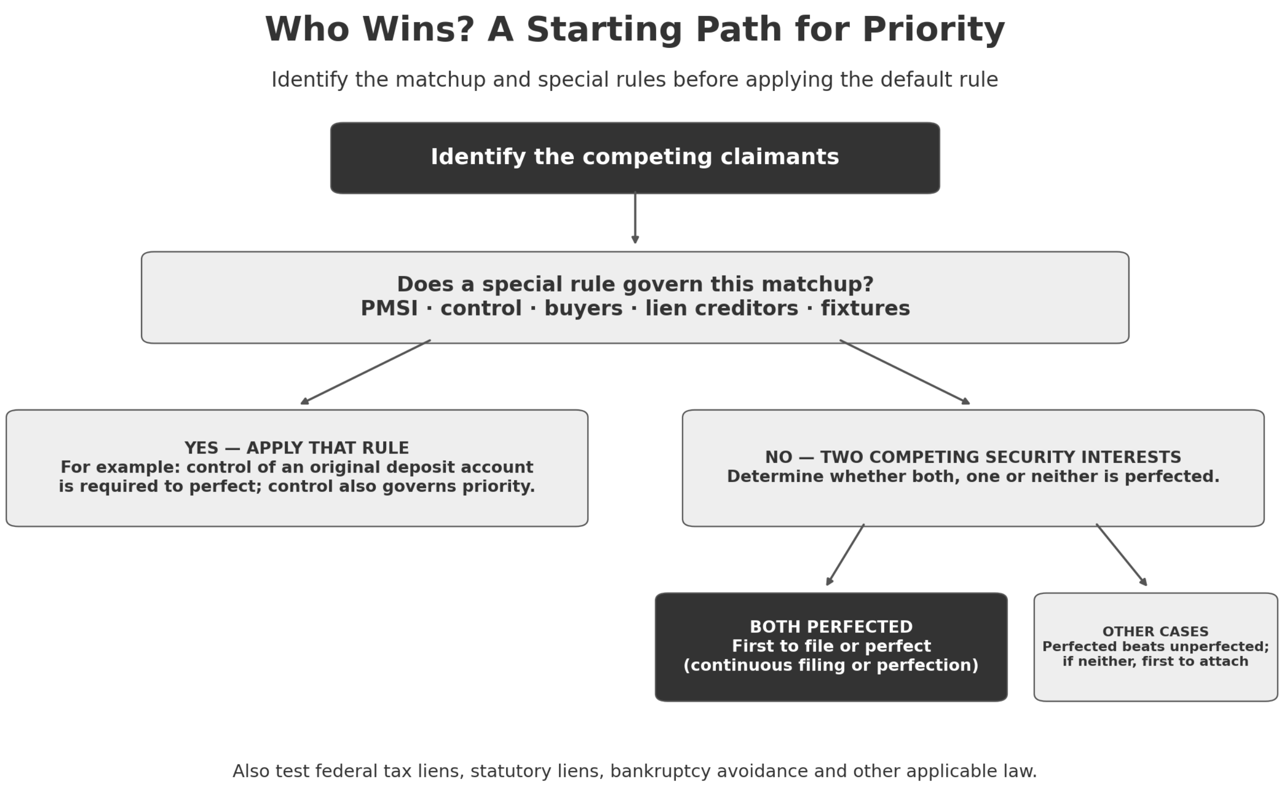

Figure 4. "Who wins?" — the priority decision path and its overrides.

As between two competing **security interests** in the same collateral, § 9-322(a)(1) gives priority to the first to *file or perfect*, measured from the earlier of those events, provided there is no period thereafter when the interest is neither filed nor perfected. The doctrine rewards the party who **planted a public flag first**—even before its loan was made. A lender that files a UCC-1 on Monday and advances funds on Friday outranks a lender that advanced and perfected on Wednesday, because the first lender's priority dates from Monday's filing. This "priority by filing date, not advance date" feature is what makes pre-filing and search-before-funding standard commercial hygiene.

MATCHUP	GOVERNING RULE	OUTCOME
Perfected SI vs. perfected SI	§ 9-322(a)(1)	First to file OR perfect wins
Perfected SI vs. unperfected SI	§ 9-322(a)(2)	Perfected wins
Unperfected SI vs. unperfected SI	§ 9-322(a)(3)	First to attach wins
SI vs. lien creditor	§ 9-317(a)(2)	Subject to applicable exceptions: perfection, or BOTH filing and a § 9-203(b)(3) condition, must precede lien-creditor status
SI vs. bankruptcy trustee	11 U.S.C. § 544(a) + § 9-317	Trustee = hypothetical lien creditor as of the petition (§ 544(a)); an SI that would lose to a lien creditor under § 9-317(a)(2) is generally avoidable
PMSI vs. earlier-filed SI	§ 9-324	PMSI super-priority if conditions met
Buyer in ordinary course vs. SI	§ 9-320(a)	BIOC takes free of seller-created SI

4.2 LIEN CREDITORS AND THE BANKRUPTCY TRUSTEE

Section 9-317(a)(2) sets the rule against a lien creditor—a creditor who has acquired a lien by attachment, levy, or the like, including a trustee in bankruptcy. A security interest is subordinate to a person who becomes a lien creditor **before the earlier of** (A) the time the security interest is perfected, or (B) the time one of the § 9-203(b)(3) conditions is met **and** a financing statement covering the collateral is filed. So a secured party that has filed and obtained a signed security agreement defeats a later lien creditor even if value has not yet been given. The bridge to bankruptcy is the trustee's "strong-arm" power under 11 U.S.C. § 544(a), which gives the trustee the rights of a hypothetical lien creditor as of the petition date. A security interest that would lose to such a lien creditor on that date can generally be avoided, reducing the secured creditor to unsecured status. Bankruptcy law then adds its own layers—preferences (§ 547), fraudulent transfers (§ 548), and the grace periods discussed below—which must be applied separately rather than assumed from the Article 9 result.

THE § 9-317(E) PMSI RELATION-BACK GRACE PERIOD

If a purchase-money secured party files within 20 days after the debtor receives delivery of the collateral, its interest takes priority over the rights of a buyer, lessee or lien creditor that arose between attachment and filing (§ 9-317(e)). Bankruptcy law does not simply adopt this 20-day rule. The trustee's strong-arm power is subject to state-law relation-back periods (11 U.S.C. § 546(b)), but preference protection for an enabling loan comes from 11 U.S.C. § 547(c)(3), which has its own conditions and a **30-day** perfection period after the debtor receives possession. Apply each clock on its own terms.

4.3 THE PMSI SUPER-PRIORITY

The purchase-money security interest is the great exception to first-to-file. A PMSI secures the price of the very collateral it covers (or value enabling the debtor to acquire it), per § 9-103. When its statutory conditions are met, a PMSI **leaps over** an earlier-filed blanket lien on the same collateral type. The conditions differ sharply by collateral, and the difference is a frequent exam and litigation flashpoint:

4.3.1 PMSI IN GOODS OTHER THAN INVENTORY OR LIVESTOCK

For equipment and most non-inventory goods, § 9-324(a) grants super-priority if the PMSI is perfected **at the time the debtor receives possession of the collateral or within 20 days thereafter**. No advance notice to existing secured parties is required. The 20-day cushion accommodates the reality that paperwork follows delivery.

4.3.2 PMSI IN INVENTORY

For inventory, § 9-324(b) is far more demanding because inventory turns over constantly and existing inventory lenders advance against it. The purchase-money security interest must be (1) **perfected when the debtor receives possession** of the inventory, and the purchase-money party must (2) send a signed notification to the holders of conflicting security interests who filed earlier against the same types of inventory, (3) which those holders **receive within five years before** the debtor receives possession, (4) stating that the sender has or expects to acquire a PMSI in inventory of the debtor, described by kind or type. In practice that means filing and notifying before delivery. Miss any element and the inventory PMSI is demoted to ordinary first-to-file status—usually meaning it loses. The priority reaches the inventory itself and identifiable cash proceeds received on or before delivery of the inventory to a buyer; for chattel paper and instrument proceeds it depends on § 9-330. **Livestock** that are farm products follow a parallel rule in § 9-324(d), but the notice must be received within **six months** before possession. The notice requirement exists so the existing inventory financier is not blindsided when it makes its next advance.

> **INVENTORY VS. EQUIPMENT PMSI — THE CONTRAST THAT DECIDES CASES**
>
> Equipment PMSI: perfect when the debtor receives possession or within 20 days thereafter; NO notice required (§ 9-324(a)).
>
> Inventory PMSI: perfected when the debtor receives possession (file before delivery in practice) AND signed notice received by earlier filers within 5 years before possession (§ 9-324(b)); livestock: within 6 months (§ 9-324(d)).
>
> Mnemonic: inventory is “notice-before,” equipment is “file-within-twenty.”

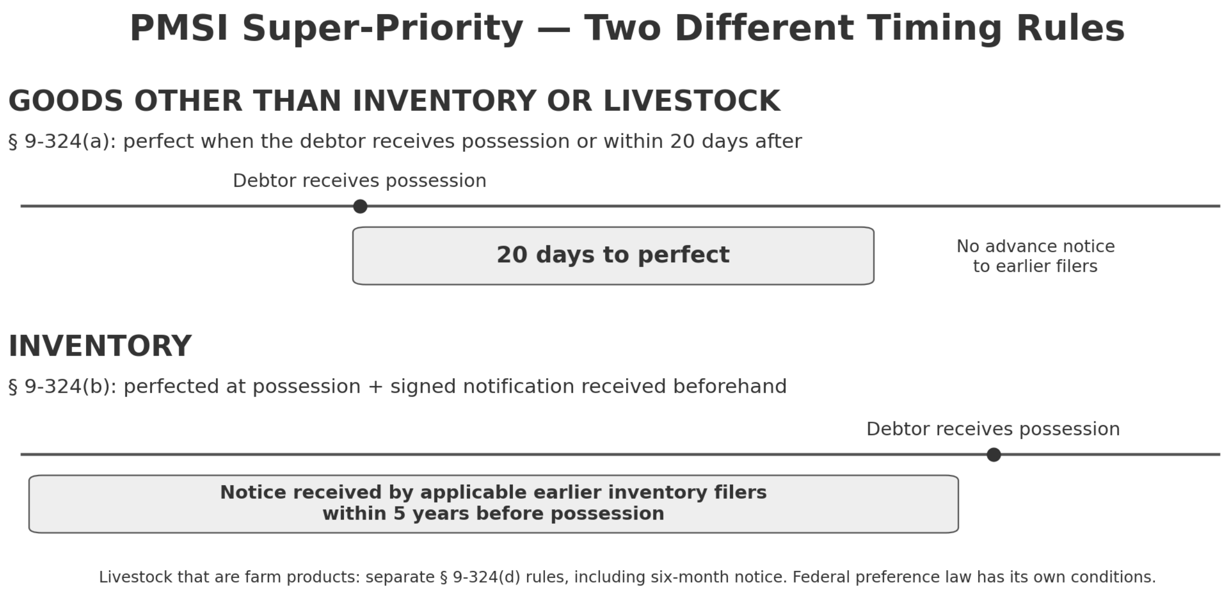

Figure 5. PMSI super-priority timing: equipment (file-within-20) versus inventory (notice-before).

4.4 CONTROL-BASED AND SPECIAL-COLLATERAL PRIORITIES

Several sections displace first-to-file for collateral where control is the relevant act. A secured party with control of a deposit account outranks one without control (§ 9-327(a)); among parties with control, the depositary bank generally ranks first (§ 9-327(c)), except that a secured party that has become the bank's customer on the account outranks the bank (§ 9-327(d)). The bank's setoff and recoupment rights are governed separately by § 9-340. A secured party with control of investment property generally outranks one without control, and a securities intermediary's interest in property it holds takes a favored position (§ 9-328). Control likewise wins for controllable electronic records, controllable accounts and controllable payment intangibles (§ 9-326A). Parallel rules govern letter-of-credit rights (§ 9-329), purchasers of chattel paper and instruments who give new value and take possession or control in the ordinary course (§ 9-330), and transferees of money and of funds from deposit accounts who take without collusion (§ 9-332). The unifying theme: the Code privileges the party who took the step that most closely approximates ownership or that most protects the flow of commerce.

4.5 BUYERS OF COLLATERAL

A buyer is a competing claimant too. The cornerstone is the **buyer in ordinary course of business (BIOC)** of § 9-320(a): a person who buys goods in the ordinary course from a seller in the business of selling goods of that kind takes *free* of a security interest created by that seller, even a perfected one, even if the buyer knows of its existence (so long as the buyer does not know the sale violates the security interest). This is what allows ordinary retail commerce to function—no customer searches the UCC records before buying a sofa. A separate rule, §

9-320(b), protects a consumer who buys consumer goods from another consumer for value, without knowledge, before a financing statement is filed—the “garage-sale” exception that limits the reach of automatic PMSI perfection. Other buyers generally take *subject* to a perfected interest unless § 9-317(b) (buyer before perfection, without knowledge, giving value and receiving delivery) or another section applies.

4.6 FUTURE ADVANCES AND THE PRIORITY CLOCK

Because a security interest can secure future advances (Movement I), the Code must decide when a later advance enjoys the senior interest’s early priority date. Section 9-323 generally lets future advances ride the original priority date as against other secured parties. The principal qualification concerns **lien creditors**: under § 9-323(b), a security interest is subordinate to a lien creditor as to advances made more than 45 days after the lien creditor’s interest arises, unless the advance was made without knowledge of the lien or pursuant to a commitment entered into without knowledge. Drafters of revolving facilities watch this 45-day rule closely when a borrower’s judgment creditors appear.

4.7 FIXTURES — WHERE ARTICLE 9 MEETS REAL PROPERTY

Fixtures are goods that have become so related to real property that an interest in them arises under real-property law, and they generate a priority contest between the Article 9 secured party and real-property claimants (mortgagees, owners). Section 9-334 supplies the rules, including a fixture PMSI priority that requires the conditions in subsection (d), not timing alone: the debtor must have the specified real-property interest or possession, and the goods and **fixture filing** must meet the statutory sequence. Construction mortgages have a separate rule in subsection (h). An ordinary filing can perfect an interest in goods that become fixtures, while a local fixture filing is commonly needed for the intended priority against real-property claimants. In New York, fixture filings go to the county clerk (in New York City, the City Register, or the Richmond County Clerk for Staten Island)—the same office geography that governs cooperative interests.

FAULT LINES OF MOVEMENT IV

- Computing priority from the advance date instead of the file-or-perfect date under § 9-322(a)(1).
- Treating an inventory PMSI like an equipment PMSI—forgetting the pre-delivery filing and signed advance notice of § 9-324(b).
- Filing alone leaves an original deposit-account interest unperfected; filing may perfect investment property but lose to control (§§ 9-312, 9-327–9-328).
- Overlooking the 45-day future-advance subordination to lien creditors (§ 9-323(b)), and reading “unperfected” too broadly under § 9-317(a)(2), which also protects a filed secured party whose § 9-203(b)(3) condition is met.

MOVEMENT V — THE RECKONING: DEFAULT AND ENFORCEMENT

When the debtor defaults, Part 6 of Article 9 (§§ 9-601 through 9-628) governs how the secured party converts its interest into cash. Part 6 is a tightly choreographed sequence built around a single organizing value: the secured party may move quickly and even use self-help, but every step must be **commercially reasonable**, and the debtor's core protections may not be waived in advance. The Movement traces the sequence from repossession through disposition to the final accounting.

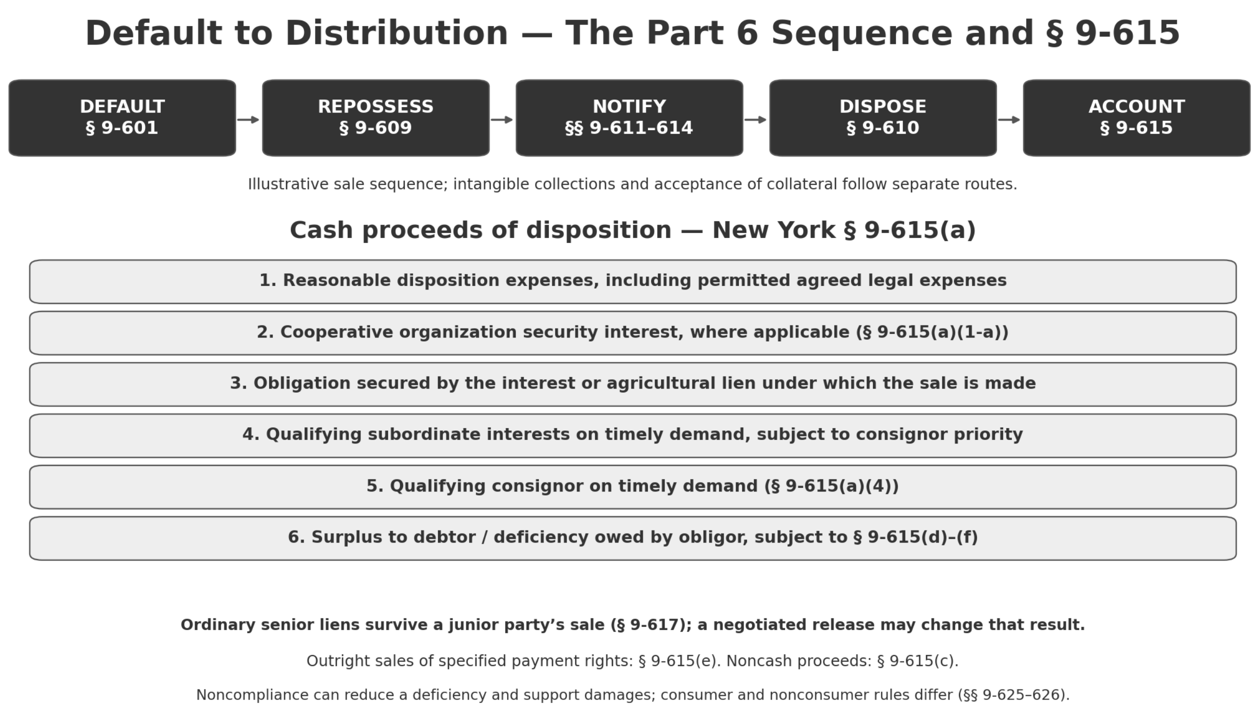

Figure 6. Default to distribution — the Part 6 sequence and the § 9-615 proceeds waterfall.

5.1 DEFAULT AND THE MENU OF REMEDIES

Article 9 does not define "default"; the parties define it in their agreement. Once default occurs, § 9-601 confirms that the secured party may reduce a claim to judgment, foreclose, or otherwise enforce by any available judicial procedure, and that rights are **cumulative**. The secured party may pursue the collateral, sue on the debt, or both, in any order. This cumulative-remedies principle frees the secured party from electing a single path but does not relax the standards that govern whichever path it chooses.

5.2 TAKING POSSESSION: SELF-HELP AND ITS LIMITS

Section 9-609 permits the secured party, after default, to take possession of the collateral without judicial process only if it proceeds **without breach of the peace**; otherwise it must use judicial process (in New York, typically an action to recover possession of the goods, known as replevin). "Breach of the peace" is not defined, and outcomes turn on the facts and the case law of the particular jurisdiction. Factors that recur include whether the repossession risked violence or confrontation, whether it involved entry into a home or an enclosed or locked area, whether force or deception was used, and whether the debtor or another person objected at the scene. No categorical safe harbor exists, and an objection at the scene is a signal to stop and use the courts. The duty cannot be waived in advance (§ 9-602), and many courts treat it as non-delegable, so a secured party should expect to answer for a repossession agent's conduct.

5.3 DISPOSITION: THE COMMERCIAL-REASONABLENESS STANDARD

Section 9-610 authorizes the secured party, after default, to sell, lease, license, or otherwise dispose of the collateral. The disposition may be public or private, but every aspect of it—method, manner, time, place, and other terms—must be commercially reasonable. Section 9-627 elaborates that a disposition is not commercially unreasonable merely because a better price might have been obtained at a different time or by a different method; a disposition conducted in conformity with reasonable commercial practices among dealers in that type of property is commercially reasonable. Courts tend to scrutinize the process—advertising, access to qualified bidders, and transparency of terms—and a very low price can prompt closer scrutiny of the process. The secured party may itself buy at a public disposition, but at a **private** disposition only if the collateral is of a kind customarily sold on a recognized market or the subject of widely distributed standard price quotations (§ 9-610(c)). Keep three questions apart: whether the sale transferred good title (a good-faith transferee is generally protected even if the secured party failed to comply, § 9-617(b)); whether noncompliance gives rise to damages (§ 9-625); and whether it reduces or eliminates a deficiency (§ 9-626). A court ruling that a claim of commercial unreasonableness may proceed is not a finding that a sale was unreasonable.

5.4 NOTIFICATION BEFORE DISPOSITION

Section 9-611 requires the secured party to send a reasonable signed notification of disposition to the debtor and any secondary obligor and, **if the collateral is other than consumer goods**, to other secured parties and lienholders described in § 9-611(c)(3). As to those other secured parties who filed, the § 9-611(e) safe harbor applies: requesting a search of the filing records not later than 20 nor earlier than 30 days before the notification date, and notifying those disclosed, satisfies the duty to them—it does not discharge the separate duty to notify the debtor and secondary obligors. The ten-day rule of § 9-612(b) applies **in a transaction other than a consumer transaction**: a notification sent after default and ten or more days before the earliest disposition date is sent within a reasonable time. In a consumer transaction, timeliness is a question of fact. Content is governed by § 9-613 generally and by § 9-614 in a **consumer-**

goods transaction. These defined terms—consumer goods, consumer transaction, consumer-goods transaction (§ 9-102(a)(23)–(26))—are not interchangeable.

> **NEW YORK'S EXTRA NOTICE FOR RESIDENTIAL COOPERATIVE INTERESTS**
> New York adds a non-uniform layer at § 9-611(f). If the collateral is a **residential cooperative interest used by the debtor** and the security interest secures an obligation incurred to **finance or refinance its acquisition**, the secured party must send an ADDITIONAL notice at least 90 days before disposing of it, on its own page in bold 14-point body type, with a bold 20-point title, on the required differently colored paper, in the prescribed "Help for Homeowners at Risk of Foreclosure" form, with contact information prescribed by the Department of Financial Services. For a **reverse cooperative apartment unit loan**, § 9-611(f)(1-a) requires notice at least 45 days before any steps to dispose of the collateral, plus separate notice to a designated third party, if any; that provision specifies at least 14-point body and 16-point heading type. A business-purpose pledge does not trigger the ordinary acquisition-loan notice merely because it covers co-op shares; analyze the applicable loan category and other protections separately.

5.5 APPLICATION OF PROCEEDS, DEFICIENCY, AND SURPLUS

Section 9-615 fixes the waterfall for cash proceeds: first to the reasonable expenses of retaking, holding and disposing (including, where the agreement provides and law does not prohibit, reasonable attorney's fees); then, where applicable, to the cooperative organization security interest (§ 9-615(a)(1-a)); then to the obligation secured by the security interest under which the disposition is made; then to subordinate security interests or liens whose holders sent a signed demand in time; and any surplus to the debtor, subject to the consignor rules (§ 9-615(a), (d)). Subsections (a)(3)(B) and (a)(4) separately govern payments where a consignor has an interest; subsection (e) addresses outright sales of specified payment rights. Four refinements matter. Apart from the express co-op tier and other applicable arrangements, an ordinary **senior** security interest is not paid from this waterfall: a junior party's sale transfers the collateral subject to senior interests (§ 9-617(a)). The **obligor**—the person who owes the debt—is liable for any deficiency (§ 9-615(d)(2)); the owner of the collateral may be a different person who owes nothing beyond the collateral. If the buyer is the secured party, a person related to it or a secondary obligor, and the price is significantly below what an unrelated buyer would have paid, the deficiency is calculated on that hypothetical price (§ 9-615(f)). And the deficiency right depends on compliance with Part 6.

5.6 THE CONSEQUENCE OF NONCOMPLIANCE: THE REBUTTABLE-PRESUMPTION RULE

When a secured party fails to conduct a commercially reasonable disposition or give proper notice, § 9-626 supplies the remedy in non-consumer cases: the **rebuttable-presumption rule**.

The proceeds that *would have been realized* had the secured party complied are presumed to equal the secured debt plus expenses and fees—wiping out the deficiency—*unless* the secured party proves the compliant proceeds would have been less. New York follows this approach for commercial transactions, and the Code expressly **rejects the "absolute bar" rule** that some courts had used to deny any deficiency upon noncompliance. For **consumer** transactions, § 9-626(b) leaves the courts to develop the rule, and New York consumer-protection sensibilities tend toward stricter scrutiny. Independent of the deficiency analysis, § 9-625 gives the debtor affirmative damages for noncompliance, including a statutory minimum recovery in consumer-goods cases.

5.7 ACCEPTANCE OF COLLATERAL (STRICT FORECLOSURE) AND REDEMPTION

Instead of selling, the secured party may propose to accept the collateral in full or partial satisfaction of the debt under § 9-620—"strict foreclosure." The debtor must consent after default, in a signed record for a partial-satisfaction proposal. Silence can count as consent only for a proposal in **full** satisfaction, sent after default, if the secured party does not receive a signed objection within 20 days after sending it (§ 9-620(c)(2)). Other persons entitled to notice must not object in time, and consumer goods may not be in the debtor's possession when the debtor consents (§ 9-620(a)(3)). Partial strict foreclosure is not available in consumer transactions (§ 9-620(g)). In New York, acceptance of a residential cooperative interest securing acquisition financing requires the debtor's actual agreement in a record after default, accompanied by the § 9-611(f) notice (§ 9-620(h)). Section 9-620(e) imposes a compulsory disposition rule: in consumer goods where the debtor has paid 60% of the cash price (PMSI) or 60% of the **principal amount** of the obligation (non-PMSI), the secured party generally must dispose of the goods within 90 days of taking possession, unless the debtor waives this after default in a signed record. Against all of this stands the right of redemption under § 9-623: until the secured party has collected under § 9-607, disposed of or contracted to dispose of the collateral, or accepted it, a debtor, secondary obligor or other secured party may redeem by fulfilling **all** obligations secured and paying reasonable expenses—which, after acceleration, may mean the whole debt rather than missed installments. The right cannot be waived before default (§ 9-624(c)).

5.8 COLLECTING INTANGIBLE COLLATERAL

Where the collateral is accounts, chattel paper, or other rights to payment, enforcement does not look like repossession at all. Three parties are involved: the **debtor** (the borrower that owns the receivable), the **account debtor** (the debtor's customer, who owes the receivable), and the **secured party** (the assignee). Once the account debtor receives a signed notification that the amount due has been assigned and that payment is to be made to the assignee, it can discharge its obligation only by paying the assignee (§ 9-406(a))—even though it never borrowed from the lender. It keeps its defenses under § 9-404 and may ask for reasonable proof of the assignment (§ 9-406(c)). In *Worthy Lending LLC v. New Style Contractors, Inc.*, 39 N.Y.3d 99 (2022), the Court of Appeals held that these rules protect a secured lender that took the receivables as collateral, not only an outright buyer. Section 9-607 lets the secured party, after default (or earlier if agreed), notify account debtors and collect, and collection with recourse against the debtor must be commercially reasonable (§ 9-607(c)). For deposit accounts the route matters: a secured party that **is** the bank may apply the balance to the debt (§ 9-607(a)(4)); a secured party with control by another route may instruct the bank to pay it the balance (§ 9-607(a)(5)).

FAULT LINES OF MOVEMENT V

- Self-help repossession that breaches the peace—entering a residence, breaking barriers, or proceeding over on-scene objection (§ 9-609).
- Defective or late notice; missing the § 9-612 ten-day safe harbor or, for co-ops, New York's 90-day § 9-611(f) notice.
- Disposition processes that look unfair (restricted bidding, opaque terms), defeating the commercial-reasonableness defense and triggering § 9-626.
- Pre-default waivers of redemption or of the breach-of-peace duty—ineffective under §§ 9-602, 9-624.

MOVEMENT VI — THE NEW YORK OVERLAY: WHERE THE EMPIRE STATE DEPARTS FROM THE UNIFORM TEXT

The preceding Movements describe Article 9's general rules, with New York's variations noted in place. This Movement gathers those variations and adds the ones that have no uniform analogue, so that a practitioner can consult New York's distinctive law in one place. Three clusters matter: the cooperative-interest regime, the emerging-technologies amendments enacted in 2025 and effective June 3, 2026, and a set of New York-specific interpretive and procedural points.

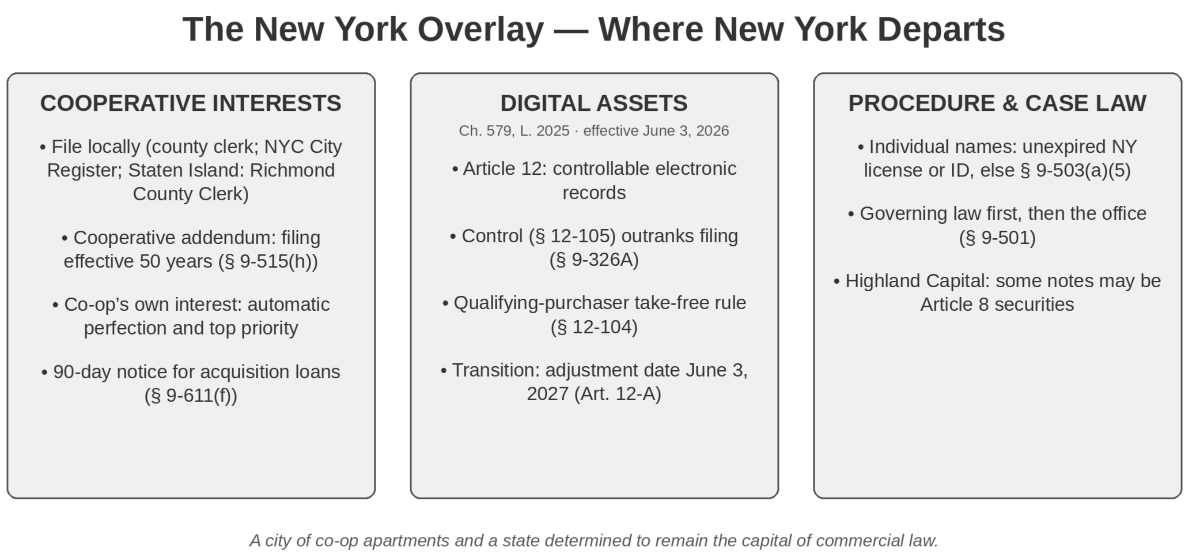

Figure 7. The New York overlay — cooperative interests, digital assets, and distinctive procedure.

6.1 THE COOPERATIVE-INTEREST REGIME

New York's housing stock includes a vast number of **cooperative apartments**, in which the resident owns shares in a cooperative corporation and holds a proprietary lease rather than a deed. This ownership form—economically a home, legally a bundle of personal-property rights—did not fit the original Article 9 cleanly, and New York responded with a bespoke set of non-uniform provisions that treat the **cooperative interest** as a special category of collateral. The defined terms appear in § 9-102: a *cooperative interest* is an ownership interest in a cooperative organization coupled with possessory rights of a proprietary nature in identified physical space; *cooperative organization*, *cooperative record*, and *cooperative addendum* are correlative defined terms. (Chapter 579 of the Laws of 2025 renumbered these definitions—now § 9-102(a)(27-c) through (27-h)—effective June 3, 2026, without changing their substance.)

Perfection, duration and priority. Except for a cooperative organization security interest, a security interest in a cooperative interest is perfected only by filing in the local office where a mortgage on the cooperative's real property would be recorded (§§ 9-310(d), 9-501). The statement must identify the unit designation and street address (§ 9-502(a)(4)). A cooperative addendum is the usual practice; without it, the additional requirements of § 9-502(b) apply. A compliant addendum filed with the initial statement or before its lapse gives the initial filing 50-year effectiven**es**s (§ 9-515(h)); its omission at initial filing does not alone invalidate an otherwise sufficient filing. A description only by statutory collateral type is insufficient in the security agreement (§ 9-108(e)(3)). The cooperative organization's own security interest is **perfected automatically** when the cooperative interest comes into existence (§ 9-308(h)) and has **priority over all other security interests** for all amounts it secures (§ 9-322(h)). Other secured parties' future advances obtain the filing-date treatment of § 9-323(h) only if its commitment, disclosure and advance conditions are met. Section 9-312's temporary-perfection rules do not apply (§ 9-312(i)).

Enforcement and payoff. For covered residential acquisition or refinancing obligations, § 9-611(f) requires the additional 90-day homeowner notice. Reverse cooperative apartment unit loans require notice at least 45 days before any steps to dispose of the collateral, including separate notice to a designated third party where applicable (§ 9-611(f)(1-a)). Follow the prescribed text, type sizes and other form requirements; see Movement V. Acceptance of a covered residential cooperative interest requires the debtor's actual post-default agreement and the accompanying notice (§ 9-620(h)). Disposition proceeds include the cooperative organization payment tier in § 9-615(a)(1-a). At a cooperative interest settlement, § 9-513(e)(2) requires delivery of the termination or partial release and held cooperative-record components on a sufficiently noticed authenticated demand, for release upon payoff and discharge of further-advance obligations. Outside a settlement, subsection (e)(3) requires arranging filing within one month after receipt of payment or discharge of the further-advance obligation, whichever is later, and returning the held record components.

WHY THE CO-OP REGIME EXISTS — AND WHY IT IS A TRAP FOR OUT-OF-STATE COUNSEL

A lender or its counsel accustomed to filing every UCC-1 with the Secretary of State will not perfect a co-op share loan if it files only in Albany. The lender's interest must be perfected locally. A cooperative addendum is the usual filing route and supports 50-year initial effectiveness; without it, § 9-502(b)'s requirements apply. Insufficient descriptions, incorrect lapse calendars, and omission of the 90-day notice for covered loans are among the most common New York-specific errors in consumer secured lending.

6.2 THE 2025 EMERGING-TECHNOLOGIES AMENDMENTS AND NEW ARTICLE 12

By Chapter 579 of the Laws of 2025, signed December 5, 2025 and effective June 3, 2026, New York enacted its version of the Uniform Law Commission's 2022 amendments to the UCC addressing emerging technologies. The centerpiece is a wholly new Article 12 governing **controllable electronic records** (CERs)—a medium-neutral category designed to capture certain digital assets (including many cryptocurrency-type records) that can be subjected to "control" in a manner analogous to possession of a tangible thing. Article 12 gives a "qualifying purchaser" who obtains control of a CER for value, in good faith and without notice of a property claim, its interest free of such claims (§ 12-104(e)); New York's definition imports the state's own notice standard for negotiable instruments (§ 12-102(a)(2)). The amendments also recast chattel paper, created the categories of electronic and tangible money, and replaced "authenticate" with "sign" in most of Article 9.

The Article 9 conforming changes. Article 9 was amended in tandem so that security interests in the new digital collateral fit the existing attachment-perfection-priority architecture. New collateral concepts—controllable account and controllable payment intangible—join the § 9-102 definitions. A secured party may perfect in these assets by filing or by control (§§ 9-312(a), 9-314, 9-107A), and a secured party with control has priority over one without it (§ 9-326A). Governing-law rules for these assets and for chattel paper were added (§§ 9-306A, 9-306B). Practitioners taking digital assets as collateral in New York must therefore decide, between filing and control where both are available, as for investment property. Deposit accounts taken as original collateral differ: control is required for perfection.

Transition (Article 12-A). The amended rules generally apply even to transactions entered into before June 3, 2026 (§ 12-A-301). A security interest that was enforceable and perfected under the old law but does not meet the new requirements stays perfected only until the earlier of the time perfection would have ended under the old law or the **adjustment date, June 3, 2027**; to stay perfected after that, it must meet the new requirements in time (§ 12-A-302). Earlier filings remain effective to the extent they satisfy the new rules (§ 12-A-304(b)). The adjustment date is not a general deadline for every secured creditor to refile, nor a general extension of existing filings: the question is whether a particular interest already meets the amended requirements. Priorities in Article 12 property and electronic money established before June 3, 2026 can change on the adjustment date (§§ 12-A-305, 12-A-306).

What control does not establish. A CER is a controllable electronic record, not automatically the asset it describes. Under § 12-104(c) and (f), other law generally determines whether the purchaser acquires rights in associated property; the Article 12 take-free rule does not by itself transfer ownership of a house, artwork or other asset mentioned in a token. Controllable accounts and payment intangibles have specified linked-rights rules. Filing is not notice of a property claim for Article 12's qualifying-purchaser analysis (§ 12-104(h)). For governing law, examine the record and system rules under § 12-107 and Article 9's corresponding § 9-306B, including the separate rule for perfection by filing.

NEW / AMENDED CONCEPT	WHERE	PRACTICAL EFFECT
Controllable electronic record (CER)	Art. 12; § 9-102	Medium-neutral digital asset subject to "control"
Qualifying-purchaser take-free rule	§ 12-104	Negotiability-like protection for digital transferees
Controllable account / payment intangible	§ 9-102 (new defs)	New rights-to-payment tied to a CER
Perfection by control of a CER	§§ 9-107A/9-314 (NY); § 12-105	Control beats mere filing on priority
"Sign" replaces "authenticate"	Most of Art. 9 (not §§ 9-620, 9-621, 9-624)	Terminology only; substance unchanged

6.3 NEW YORK-SPECIFIC INTERPRETIVE AND PROCEDURAL POINTS

6.3.1 THE HIGHLAND CAPITAL PROBLEM

New York's highest court, in *Highland Capital Management LP v. Schneider*, 8 N.Y.3d 406 (2007), held that the promissory notes at issue were "securities" governed by Article 8 rather than ordinary instruments. Classification matters because it changes both the available perfection methods and the priority rules. If notes are investment property, a security interest may be perfected by filing or by control (and by delivery of a certificated security), and control carries priority under § 9-328; if they are instruments, filing or possession are available and § 9-330 protects certain purchasers. The 2025 New York amendments do not contain a provision overruling or narrowing *Highland Capital*. Counsel taking privately held notes as collateral should therefore analyze the notes under the current Article 8 definitions (§§ 8-102, 8-103) and perfect in a way that works under either classification.

6.3.2 INDIVIDUAL-DEBTOR NAMES

As covered in Movement II, New York's § 9-503(a)(4) uses the "only if" driver's-license rule for individual debtors: if New York has issued the individual an unexpired driver's license or non-driver photo ID, the financing statement must provide the name indicated on it; if more than one has been issued, the most recent controls (§ 9-503(g)). If the individual has no such New York card, § 9-503(a)(5) requires the individual name or the surname and first personal name. License renewals and name changes demand re-verification, because a once-correct filing can become seriously misleading.

6.3.3 TWO-OFFICE FILING AND THE "FILING NOWHERE" RISK

Before choosing an office, determine which jurisdiction's law governs perfection. Special governing-law rules apply to deposit accounts (§ 9-304), investment property (§ 9-305), letter-of-credit rights (§ 9-306), chattel paper (§ 9-306A), controllable electronic records and related assets (§ 9-306B) and goods covered by a certificate of title (§ 9-303). Only if New York law governs perfection by filing does New York's split between the Department of State and the local office (§ 9-501) come into play. Fixture filings, as-extracted collateral, timber to be cut, and cooperative interests file locally—with the county clerk, or in New York City with the City Register (the Richmond County Clerk for Staten Island); nearly everything else files in Albany. A transaction requiring perfection or the intended priority through both systems needs both filings; an ordinary filing may perfect fixtures without supplying a fixture filing's real-property priority. A filing in the wrong office is ineffective for the collateral it should have reached.

6.3.4 CHOICE OF LAW AND NEW YORK'S COMMERCIAL PRIMACY

New York has deliberately cultivated its status as the preferred forum and governing law for sophisticated commercial transactions. Se**ction**s 9-301 and 9-307 generally locate filing perfection by the debtor, but priority and the effect of perfection may follow a different jurisdiction's law for tangible collateral under § 9-301(c); special collateral rules also apply regardless of a general contractual choice-of-law clause, but the substantive attractiveness of New York law—reinforced by the digital-asset amendments effective in 2026—means that New York Article 9 frequently governs transactions with only a modest New York nexus. Counsel should not assume a New York choice-of-law clause displaces the § 9-301 perfection analysis: the two operate on different planes.

FAULT LINES OF MOVEMENT VI

- Filing a cooperative share loan with the Department of State instead of the local office (county clerk; in New York City, the City Register or the Richmond County Clerk), or omitting required co-op information; use the addendum or comply with § 9-502(b), and calendar the resulting duration.
- Skipping the § 9-611(f) 90-day residential co-op notice on disposition.
- Treating privately held notes as plain instruments without the Highland Capital / Article 8 analysis.
- Assuming digital-asset collateral is adequately handled by filing alone once the Article 12 control regime is operative.

MOVEMENT VII — SECURED TRANSACTIONS IN THE DEAL: M&A, INVESTMENT, AND TAX

The first six Movements treat Article 9 from the inside—how a security interest is formed, perfected, ranked, and enforced. This Movement turns the lens outward to the transactions in which those rules do their most consequential work: mergers and acquisitions, private credit and equity deployments, and the tax structuring that shapes both. Here Article 9 is rarely the headline. It operates instead as connective tissue—determining what a buyer actually acquires, what a lender can actually recover, and whether a structure will actually survive contact with a bankruptcy trustee or a taxing authority. The practitioner who treats perfection as a back-office formality discovers its importance only when it is too late to fix.

> **SCOPE NOTE**
> This Movement is transactional, not a tax treatise. It identifies where Article 9 intersects deal structuring and tax planning and states those intersections accurately; it does not purport to give tax advice, and several points below (successor liability, basis step-up, economic substance) are governed primarily by tax and corporate law, with Article 9 playing a supporting role. Those boundaries are flagged where they arise.

7.1 DEAL STRUCTURE: WHAT THE BUYER ACTUALLY ACQUIRES

The threshold structuring choice—**asset purchase versus stock (or equity) purchase**—determines how existing security interests travel with the deal.

7.1.1 ASSET PURCHASES

In an asset purchase the buyer acquires identified assets and, in principle, leaves the seller's historical liabilities behind. But Article 9 complicates the "clean assets" premise in two ways. First, a perfected security interest **continues in collateral notwithstanding its sale** unless the secured party authorized the disposition free of its interest (§ 9-315(a)(1), Movement III). A buyer who takes an encumbered asset without a release takes it *subject to* the lien—the secured creditor can pursue the asset into the buyer's hands. Second, the buyer is protected only where it fits a take-free rule: a **buyer in ordinary course of business** under § 9-320(a) takes free of a security interest created by its seller, but a one-off acquisition of a business's assets is generally *not* an ordinary-course purchase, so the BIOC shelter usually does not apply to M&A. The practical consequence is that asset deals live or die on lien searches and payoff/release letters, not on the contract's "free and clear" recital.

7.1.2 STOCK AND EQUITY PURCHASES

In a stock or membership-interest purchase the target entity survives with its balance sheet intact; the buyer steps into ownership of an entity that still owes its debts and whose property remains subject to existing security interests. Nothing about the change of ownership disturbs a properly perfected lien—indeed a change in the debtor's ownership is not a change in the **debtor** for filing purposes, so the secured party's financing statement remains effective. The buyer's protection here comes from diligence, representations and warranties, indemnities, and escrows—not from any Article 9 cleansing effect.

> **CHANGE-OF-CONTROL AND THE FINANCING STATEMENT**
> A target's name change, entity conversion, or merger into a new entity can render an existing financing statement seriously misleading or shift the "new debtor" analysis (§§ 9-507, 9-508, 9-326). For the BUYER's own acquisition financing, this means confirming that each filing names the actual collateral owner correctly (the surviving entity if it is the grantor, or the equity owner for pledged equity)—often a same-day filing coordinated with closing. For DILIGENCE on the target, it means searching prior names and predecessors, not just the current one.

7.2 DUE DILIGENCE: FINDING THE LIENS BEFORE THEY FIND YOU

Lien diligence is the Article 9 core of any deal. Its object is to identify every encumbrance on the assets being acquired (or on the property of the entity being acquired) so that price, structure, and closing conditions can account for them. The mechanics in New York follow directly from Movements II and VI and Appendix A:

- Search the debtor's exact legal name in the New York Department of State UCC index (the statewide office for most collateral) after confirming that New York is the right filing state. The office's standard search logic applies limited normalization rules but does not retrieve spelling variants, so run likely name variants and predecessor names separately.
- Search the local records—county clerks, the New York City Register (ACRIS) for Manhattan, the Bronx, Brooklyn and Queens, and the Richmond County Clerk for Staten Island—for fixture filings, as-extracted collateral and cooperative-interest filings, which do not appear in the Albany index.
- Search for **federal tax liens** in the office Lien Law § 240 designates: for personal property of a corporation or partnership, the Department of State; for other taxpayers, the county clerk of the county where the taxpayer resides (in New York City, the City Register). Search separately for **New York State tax warrants**: since July 1, 2025 the Department of Taxation and Finance files them electronically with the Department of State in a separate tax-warrant system, while warrants docketed earlier remain in the county records.
- Pull copies of the underlying financing statements and, where priority matters, the security agreements, to confirm collateral scope, perfection method, and continuation status.

The "skeletons" problem. Undisclosed liens and tax encumbrances are the classic post-closing surprise. A missed UCC-1 can mean the buyer paid full value for assets a third party can seize; a missed Notice of Federal Tax Lien can mean the asset is taken subject to a federal claim. Because the seriously-misleading rule (§ 9-506) keys to the office's standard search logic, a buyer who searches only the current, precisely spelled name may miss a filing that a differently indexed name would reveal—hence the discipline of variant and predecessor searches. Diligence findings then flow into the agreement as specific lien-release conditions, purchase-price holdbacks, or escrow.

7.3 FEDERAL AND STATE TAX LIENS AGAINST PERSONAL PROPERTY

Tax liens are a distinct system that nonetheless competes with Article 9 interests, and the interaction is governed by federal law for the IRS lien and by state law for New York's. The federal tax lien arises on assessment and reaches all of the taxpayer's property, but it is not valid against a purchaser, holder of a security interest, mechanic's lienor or judgment lien creditor until a Notice of Federal Tax Lien (NFTL) is filed in the office the state designates (26 U.S.C. § 6323(a), (f)). For personal property, New York's Lien Law § 240 designates the **Department of State** when the taxpayer is a corporation or partnership, and otherwise the **county clerk** of the county where the taxpayer resides (in New York City, the City Register). That filing-location rule is a federal-law concept and is not the same as Article 9's debtor-location rule, so a search limited to the Albany UCC index can miss an NFTL against an individual or a sole proprietor.

The § 6323 priority contest. Against a competing security interest, the question is whether the security interest qualifies as a "security interest" under § 6323(h)(1)—broadly, the property must be in existence, the interest must be protected under local law against a subsequent judgment lien, and the holder must have parted with money or money's worth—before the NFTL is filed. A prior UCC filing alone does not establish that. Two statutory protections extend the position for existing facilities, each with its own conditions: § 6323(c) protects qualified commercial financing secured by property the taxpayer acquires within 45 days after the NFTL filing, and § 6323(d) protects disbursements made within 45 days after the NFTL filing without actual notice or knowledge of it. Neither is a blanket 45-day protection for every revolving loan. A secured lender extending credit to a revolving borrower should therefore monitor for NFTL filings the way it monitors for judgment liens.

> **NEW YORK'S 2025 TAX-WARRANT CHANGE — A FRESH DILIGENCE POINT**
>
> Effective July 1, 2025, the New York State Department of Taxation and Finance electronically files tax warrants and warrant-related records (satisfactions, vacates, amendments, expirations) with the Department of State, and those filings perfect the State's liens against real and personal property. For a deal team, three consequences follow. The State tax-warrant system is **separate** from the UCC index, so an ordinary UCC search does not necessarily cover it. Warrants docketed before July 1, 2025 remain in the county records, and official copies of them come from the county. And a search result is not a payoff statement: current balances must be obtained from the Department of Taxation and Finance. Run the search close to closing and schedule bring-down searches.

Successor liability is largely outside Article 9. Whether a buyer inherits the seller's *unpaid tax obligations* is mainly a question of tax and corporate law—state bulk-sale and successor-liability statutes, the federal lien's tracing into the asset under § 6323, and common-law de facto-merger and mere-continuation doctrines—not of Article 9. New York, for example, imposes sales-tax bulk-sale notice obligations that can fix successor liability on an asset buyer who fails to notify the Tax Department. Article 9 diligence surfaces the recorded liens; it does not resolve successor liability, which the deal lawyers must analyze separately and address through indemnities, escrows, and bulk-sale compliance.

7.4 INVESTMENT AND PRIVATE-CREDIT CONSIDERATIONS

For lenders and credit investors deploying capital, the power to take and perfect a security interest is the central risk-mitigation tool. It converts an unsecured promise into a position with leverage in workout and recovery rights in default.

7.4.1 BARGAINING LEVERAGE AND COLLATERAL SELECTION

Requiring collateral—inventory, accounts, equipment, equity of subsidiaries, deposit accounts—before advancing value gives the investor superior positioning, both economically and procedurally. Collateral choice maps directly to the perfection matrix of Movement II: an operating **deposit account taken as** original collateral requires control for perfection; **investment property** can be perfected by filing, but control generally carries stronger priority (§§ 9-312, 9-327, 9-328). A control agreement over the borrower's main account is often worth more than a blanket UCC-1, because it captures the cash.

7.4.2 BANKRUPTCY: WHAT PERFECTION ACTUALLY BUYS

Perfection's payoff is concentrated in bankruptcy, but its effect is frequently misstated. Three points should be kept distinct:

1. **Avoidance protection (the strong-arm power).** A trustee takes the rights of a hypothetical lien creditor as of the petition date (11 U.S.C. § 544(a)). A security interest that would be subordinate to a lien creditor under § 9-317(a)(2) on that date—generally, one that is neither perfected nor filed with a § 9-203(b)(3) condition satisfied—can be avoided, reducing the creditor to unsecured status. Timely perfection defeats this, which is a principal reason to perfect promptly.
2. **Preference exposure runs the other way.** A security interest is not a "defense to preference claims." To the contrary, granting or perfecting a lien on antecedent debt within the 90-day (or one-year insider) window can itself be an avoidable preference (§ 547(b)). Timing is governed by § 547(e): a transfer is generally treated as made when it takes effect between the parties if perfected within 30 days, and otherwise when it is perfected.

What protects a creditor is fitting an exception—most relevantly the enabling-loan exception of § 547(c)(3), which protects a security interest securing new value given to enable the debtor to acquire the property, if the interest is perfected on or before 30 days after the debtor receives possession. That federal 30-day period is separate from Article 9's 20-day rules and must be satisfied on its own terms.

3. **Recovery position.** A properly perfected, non-avoidable secured creditor is paid from its collateral's value ahead of unsecured creditors, rather than sharing pro rata. That is the economic prize—and it depends entirely on points (1) and (2) holding up.
4. **Other bankruptcy effects.** Perfection does not authorize collection after a bankruptcy filing. The automatic stay (11 U.S.C. § 362) halts repossession, sale and collection. Cash proceeds become "cash collateral" that the debtor may use only with the secured party's consent or court approval on adequate protection (§ 363). The secured claim is limited to the value of the collateral (§ 506), property the debtor acquires after the petition is generally free of a prepetition after-acquired clause except as proceeds (§ 552), and a lien granted for less than reasonably equivalent value can be attacked as a fraudulent transfer (§ 548 and state law).

> **STATED PRECISELY**
> Perfection mainly defeats AVOIDANCE of the lien under the § 544 strong-arm power; it is not a shield that lets a creditor keep an otherwise-preferential transfer. A timely, contemporaneous purchase-money interest can both fit the enabling-loan exception (§ 547(c)(3), with its own 30-day period) and secure priority (§ 9-324). Late perfection can forfeit both protections at once.

7.4.3 THE PMSI AS AN INVESTMENT TOOL

For equipment- and inventory-intensive deployments, the purchase-money security interest is one of the most powerful instruments in Article 9. It grants priority over an earlier blanket lien on the specific assets financed (§ 9-324, Movement IV), letting a new-money investor leap an incumbent lender for the collateral it enabled the borrower to acquire. The discipline is timing: for equipment, perfect when the debtor receives possession or within 20 days after; for inventory, be perfected when the debtor receives possession and have the notice received by earlier filers beforehand. Done correctly, the PMSI lets fresh capital enter a borrower already encumbered by a senior blanket lien—expanding the universe of fundable deals.

7.5 TAX STRUCTURING AND THE ROLE OF SECURED DEBT

Tax considerations frequently drive deal structure, and secured transactions are the mechanism through which tax-efficient structures are financed and documented. The following intersections recur; each is primarily a tax-law matter on which Article 9 plays a supporting, documentary role.

7.5.1 BASIS STEP-UP AND THE ASSET-DEAL PREFERENCE

Buyers often prefer an asset purchase—or a stock purchase treated as an asset purchase under a § 338(h)(10) or § 336(e) election—to obtain a stepped-up basis in the acquired assets, increasing future depreciation and amortization deductions. Those elections are not automatic: eligibility, the required elections and consents, the allocation of price among assets, and the seller's tax cost must all be analyzed. Secured acquisition debt commonly funds these purchases, and the structure must align the lien package with the asset transfer—releasing the seller's liens at closing and attaching the acquirer's new financing to the acquired assets. The Article 9 work (payoff letters, terminations, new UCC-1s) is the plumbing that makes the tax-driven structure operational.

7.5.2 INTEREST DEDUCTIBILITY AND THE TAX SHIELD

Debt can create an interest tax shield that enhances after-tax deal value, subject to the business-interest limitation of 26 U.S.C. § 163(j) and related rules. Whether an advance is debt or equity for tax purposes, and whether its interest is deductible, are tax questions decided under tax-law factors. Article 9 does not answer them: genuine debt can be unsecured, and a perfected lien does not by itself make an advance debt. Collateral, documentation and the parties' actual conduct—including whether the lender behaves like a creditor—can be relevant evidence in that analysis, and no more.

7.5.3 ECONOMIC SUBSTANCE AND DOCUMENTATION

A structure assembled purely to harvest tax benefits, without economic substance, risks being disregarded under the codified economic-substance doctrine (26 U.S.C. § 7701(o)) and related anti-avoidance principles. Real collateral, arm's-length terms, perfected interests and remedies actually exercised can support the conclusion that a financing has independent business reality; a lien that is never perfected or enforced can support the opposite argument. But Article 9 compliance is evidence to be weighed, not a substitute for the tax tests.

7.6 PUTTING IT TOGETHER: A DEAL CHECKLIST

1. **Characterize the deal** (asset vs. equity) and map which liens travel and which are left behind.
2. **Run lien and tax diligence** in the correct offices—DOS for UCC filings; the Lien Law § 240 office for federal tax liens; the DOS tax-warrant system and the county records for State tax warrants; the local office for fixtures and co-ops—using exact, variant, and predecessor names.
3. **Confirm perfection and priority** of the interests that matter, including continuation status and any § 9-507/9-508 name issues.

4. **Negotiate releases and payoffs,** and condition closing on filed terminations (UCC3) for liens that must come off.
5. **Structure acquisition financing** to perfect promptly—timely filings naming each collateral owner as debtor, including a surviving entity only where it is the grantor; control agreements for cash and securities; PMSI timing for financed equipment/inventory.
6. **Align tax structure and security** (basis step-up, interest deductibility, economic substance) with documented, perfected, enforceable liens—remembering that the tax tests are decided under tax law.
7. **Schedule bring-down searches** close to closing to catch freshly docketed tax warrants or judgment liens, and calendar post-closing continuation deadlines.

7.7 SUMMARY OF KEY INTERSECTIONS

FEATURE	WHY IT MATTERS IN M&A / INVESTMENT	GOVERNING SOURCE
Perfection	Protects against the § 544 lien-creditor challenge when timely; priority and other avoidance grounds remain separate	Art. 9 §§ 9-308–316; 11 U.S.C. § 544
Lien diligence	Surfaces hidden UCC liens and tax encumbrances that hit valuation	§§ 9-501, 9-506; Lien Law Art. 10-A
Deal structure	Asset vs. equity drives which liens travel and the tax basis	Tax/corporate law; §§ 9-315, 9-320
PMSI	Super-priority for financed assets; § 547(c)(3) preference shelter	§§ 9-324, 9-103; 11 U.S.C. § 547(c)(3)
Tax liens	Federal/State liens compete with secured parties; filed in the offices Lien Law § 240 and the Tax Law designate	26 U.S.C. § 6323; NY Tax Law
Tax structuring	Secured debt funds acquisitions; tax treatment is decided under tax law, not Article 9	26 U.S.C. §§ 163(j), 338, 7701(o)

FAULT LINES OF MOVEMENT VII

• Relying on a “free and clear” recital instead of lien searches and filed releases; BIOC shelter usually does NOT cover a one-off business-asset purchase.

• Misstating bankruptcy effect: timely perfection generally defeats the § 544 lien-creditor challenge; it does not let a creditor keep an otherwise-preferential transfer, and § 547(c)(3) runs on its own 30-day clock.

• Searching only the current exact name; missing predecessor names, fixtures/co-op filings in the local office, federal tax liens filed with a county clerk, and State tax warrants in the separate warrant system.

• Treating successor tax liability as an Article 9 question—it is governed by tax/corporate law and bulk-sale rules, and must be addressed separately.

• Unperfected or unenforced liens that undercut bankruptcy recovery—and treating Article 9 compliance as if it settled debt-versus-equity or deductibility questions.

SYNTHESIS: THE LIFE CYCLE OF A NEW YORK SECURED CLAIM, IN ONE VIEW

The Movements describe a single arc. A disciplined practitioner can run a New York secured transaction through the following sequence and locate the principal issues the Code raises—always checking the statute and current authority on the particular facts.

1. **Form the interest (Movement I).** Confirm value, the debtor's rights, and a signed security agreement with a § 9-108-sufficient description ("all assets" alone is insufficient). Add future-advance and after-acquired clauses where the facility requires them.
2. **Perfect by the right method (Movement II).** Match collateral to method using the matrix: file for most goods and intangibles; possess tangible money (and instruments, unless filing); control deposit accounts, electronic money and letter-of-credit rights, and take control of securities and CERs for priority; note title statutes for titled goods; identify any applicable automatic-perfection rule, including §§ 9-308(h) and 9-309. Confirm the governing law first, then the correct New York office.
3. **Protect the moving asset (Movement III).** Plan for proceeds: confirm continued perfection beyond the 20-day period under § 9-315(d), set up tracing for cash proceeds, and account for accessions and commingling.
4. **Win the priority contest (Movement IV).** Search and pre-file to capture the first-to-file-or-perfect date; satisfy PMSI conditions (notice-before for inventory, file-within-20 for equipment); secure control for deposit/securities priority; watch the § 544 strong-arm and the 45-day future-advance rule.
5. **Enforce correctly on default (Movement V).** Repossess without breach of the peace; give § 9-611/9-612 notice; dispose in a commercially reasonable, transparent process; apply proceeds per § 9-615; preserve the deficiency by complying with Part 6 (rebuttable-presumption rule); respect redemption and consumer compulsory-disposition limits.
6. **Apply the New York overlay throughout (Movement VI).** For cooperative interests, file locally with sufficient unit and property information; use a timely addendum for 50-year initial effectiveness and, for covered acquisition loans, give the 90-day notice; for digital assets, take control under Article 12 and watch the June 3, 2027 adjustment date; for privately held notes, run the *Highland Capital* classification analysis; for individual debtors, use the name on the unexpired New York license or ID, or the § 9-503(a)(5) name if there is none.
7. **Deploy the system in the deal (Movement VII).** In M&A and investment, run lien and tax diligence in the right offices, structure acquisition financing to perfect promptly, use the PMSI to leap senior blanket liens, and align tax structure with documented, enforceable security.

Closing observation. Article 9 looks intimidating because it is long, but its length is mostly the cost of precision in a system that must rank claimants fairly and predictably across every kind of asset modern commerce produces. New York's contribution—its cooperative-interest regime and its adoption of the emerging-technologies amendments—shows the same statute adapting to a particular economy: a city of co-op apartments and a state determined to remain the capital of commercial law. A practitioner who understands the system as a contest of claimants, rather than a checklist of sections, will navigate both the uniform core and New York's distinctive edges with confidence.

APPENDIX A — THE NEW YORK FILING SYSTEM IN PRACTICE: FORMS, FEES, AND PROCESS

Movements I–VI explain *why* a secured party files; this appendix explains *how* it actually gets done in New York. Filing is where doctrine meets the counter at the Department of State, and a transaction that is flawless on paper can still fail if the wrong form lands in the wrong office. The information below reflects the New York Department of State ("DOS"), Division of Corporations, State Records and Uniform Commercial Code, as reviewed in September 2026; fees and form versions change, so verify against dos.ny.gov before filing.

VERIFY BEFORE FILING

Fees, form templates, and office addresses are administrative and change without amending the UCC. Confirm the current figures and forms at the Department of State's UCC pages (dos.ny.gov) and, for cooperative-interest and fixture filings, with the relevant county clerk, the New York City Register (ACRIS) for Manhattan, the Bronx, Brooklyn and Queens, or the Richmond County Clerk for Staten Island. The amounts and procedures stated here are provided for orientation, not as a substitute for the office's own current instructions.

A.1 WHICH OFFICE? THE TWO-OFFICE RULE RESTATED

First confirm that New York law governs perfection by filing (§§ 9-301 to 9-307; see Movement VI). Then § 9-501 routes the filing to one of two places depending on the collateral. A filing in the wrong office is ineffective for the collateral that belonged elsewhere.

FILE WITH THE DEPARTMENT OF STATE (ALBANY)	FILE WITH THE COUNTY CLERK / NYC REGISTER
Most personal-property collateral: accounts, inventory, equipment, general intangibles, instruments, investment property, chattel paper	As-extracted collateral (oil, gas, minerals at the wellhead) and timber to be cut
Transmitting-utility filings	Fixture filings on goods that are or are to become fixtures — filed where a mortgage on the real property would be recorded
The default for everything not assigned to the local office	Cooperative interests — filed where a mortgage on the cooperative's real property would be recorded (uses the UCC1CAd cooperative addendum)

MIXED COLLATERAL MAY NEED TWO FILINGS

Ordinary collateral and a cooperative interest ordinarily require filings in BOTH offices. For goods that become fixtures, an Albany filing can perfect, but a local fixture filing is commonly needed for the intended priority against real-property claimants (§ 9-334). Determine the required perfection and priority before selecting the office or offices. In New York City, the local office is the City Register (via ACRIS) for Manhattan, the Bronx, Brooklyn, and Queens, and the County Clerk in Richmond County (Staten Island).

A.2 THE FORM SET

Use the forms currently promulgated by the New York Department of State. Section 9-521 protects use of those New York forms: a filing office accepting written records may not refuse them unless one of the grounds for refusal in § 9-516(b) applies, so complete every item the statute requires for the kind of filing—including the organizational information and, for fixture, as-extracted, timber and co-op filings, the applicable items of § 9-502(a)(4), (b) and (e). Check dos.ny.gov for the current versions before filing. Only one action per amendment form is permitted (you cannot, for example, combine a continuation and an assignment on a single UCC3). Do not place Social Security numbers on any UCC document—these are public records.

FORM	NAME	USED FOR
UCC1	Financing Statement	Initial filing giving public notice of the security interest
UCC1Ad	Financing Statement Addendum	Extra information that does not fit on the UCC1 (e.g., additional collateral, real-property description)
UCC1AP	Financing Statement Additional Party	Adding further debtor or secured-party names
UCC1CAd	Cooperative Addendum (NY-specific)	Building/unit and contact data for a cooperative-interest filing; not fillable online
UCC3	Financing Statement Amendment	Continuation, termination, assignment, release, or other change — one action per form
UCC3Ad	Amendment Addendum	Extra information supporting a UCC3
UCC3AP	Amendment Additional Party	Adding debtor or secured-party names on an amendment
UCC5	Correction / Information Statement	Statement by a person who claims a record was inaccurate or wrongfully filed; does not remove the record but is added to it
UCC11	Information Request	Requesting an official search and/or copies of records

A.3 COMPLETING THE UCC1 — THE FIELDS THAT DECIDE VALIDITY

Section 9-502(a) ordinarily requires the debtor's name, the secured party's name and an indication of collateral; for a cooperative interest, subsection (a)(4) also requires the unit designation and street address. Other information is required for the filings described in subsection (b), or for an addendum under subsection (e). Separately confirm authorization (§ 9-509), a permitted perfection method, the correct jurisdiction and office, and compliance with filing requirements. An office may reject on § 9-516(b)'s grounds; an improper refusal can nevertheless leave a record effective under subsection (d), subject to its exception. Acceptance alone does not establish perfection or priority.

1. **Debtor's name (Item 1).** The most error-prone field (§§ 9-503, 9-506). For a registered organization, use the exact name on its public organic record—no trade names, no abbreviations, no "d/b/a." For an individual with an unexpired New York driver's license or non-driver ID, use the name exactly as it appears on the most recently issued card; for an individual without one, use the individual name or surname and first personal name (§ 9-503(a)(5)). Enter one debtor name per box; use UCC1AP for additional debtors. DOS enters the name as typed and assumes no responsibility for the filer's spelling.
2. **Secured party's name (Item 3).** The secured party or its representative. A representative capacity need not be indicated for the statement to be sufficient.
3. **Indication of collateral (Item 4).** May use a specific or category description, or the supergeneric "all assets" or "all personal property" (§ 9-504)—breadth permitted here that is insufficient as the sole description in the security agreement. Use UCC1Ad for a longer description or a real-property legal description on a fixture/as-extracted filing.
4. **Optional designations.** Check-boxes flag a fixture filing, as-extracted/timber collateral, an agricultural lien, a transmitting utility, or a non-UCC filing—these drive both the office and the duration. A manufactured-home transaction can carry a 30-year duration, a transmitting-utility filing lasts until terminated, and a co-op filing made with the cooperative addendum lasts 50 years (§ 9-515(b), (f), (h)).

A.4 HOW TO FILE

There are four channels to the Department of State. E-filing is the cheapest and fastest and is the default choice for ordinary statewide collateral; only initial financing statements (UCC1) and amendments (UCC3) can be e-filed.

- E-file (online): complete the electronic UCC1 or UCC3 template on the DOS site, submit, and print the e-filing acknowledgment (date, time, filing number, and card confirmation). An e-mail address is required so DOS can return an acknowledgment and image. Payment by MasterCard, Visa, or American Express only.
- By mail: send the completed paper form with payment to NYS Department of State, Division of Corporations, State Records and Uniform Commercial Code, One Commerce Plaza, 99 Washington Avenue, Albany, NY 12231.
- By fax: fax the form together with a Credit Card/Debit Card Authorization Form to the UCC unit (financing statements and amendments use different fax numbers—confirm the current number on the DOS page).
- In person / over the counter: at the Albany office; expedited same-day handling is available for an additional fee if submitted at least two hours before close of business.

A.5 FEES

SERVICE	FEE
UCC filing — paper or fax (UCC1, UCC3)	$40
UCC filing — e-file or other non-paper medium	$20
Search against one debtor (UCC11)	$25
Search against one debtor, results under seal	$50
Plain copy of one UCC document	$5
Certified copy of one UCC document	$10
Expedited handling (same-day) — additional	$75

FEE MECHANICS

Copy and search requests go on separate UCC11 forms with separate fees; credit cards and drawdown accounts are not accepted for copy requests. Expedited service means completion on the day received, provided the request arrives at least two hours before close of business. A copy request requires the UCC filing number, so do not bundle it with the UCC1 itself.

A.6 LIFE CYCLE OF A FILING: LAPSE, CONTINUATION, TERMINATION

A financing statement is generally effective for five years from filing (§ 9-515), with the exceptions noted above (e.g., 30 years for a manufactured-home transaction and 50 years for a co-op filing made with the cooperative addendum). To preserve perfection beyond the period, file a continuation (a UCC3 checking the continuation box and citing the initial file number) within the six-month window before lapse—not earlier, not after. A continuation filed outside that window is ineffective; a timely continuation ordinarily adds five years under § 9-515(e), even after a special initial period. After a statement lapses, its record remains searchable for a period, but the interest becomes unperfected at lapse unless another method maintains perfection (§ 9-515(c)). A termination is likewise a UCC3 (termination box). The deadlines are statutory (§ 9-513): in consumer goods, within one month after the obligation is satisfied and no commitment remains, or within 20 days after a signed demand, if earlier; for other collateral, send the statement to the debtor or file it within 20 days after receipt of the debtor's signed demand if a condition in § 9-513(c) applies; for co-ops, as provided in § 9-513(e). A properly authorized termination makes the financing statement ineffective; it does not erase its historical record; it does not by itself release control agreements, return possessory collateral, or release guaranties, which the payoff documents should address.

THE CONTINUATION CALENDAR IS THE FILING SYSTEM'S DEADLIEST TRAP

Because lapse retroactively subordinates a once-senior secured party as against purchasers, a missed continuation can convert a first-priority lien into an unperfected, avoidable interest overnight. Determine each

> filing's actual expiration date: ordinarily five years, but 30 or 50 years for qualifying initial filings, with separate utility and mortgage-record rules. Calendar the applicable six-month continuation window. A timely continuation ordinarily extends effectiveness for five years (§ 9-515(e)).

A.7 SEARCHING THE RECORD

Before funding, a secured party searches to confirm its expected priority and to discover prior filings. New York offers an official search on form UCC11 (with results certified under seal available for an additional fee) and a free public-inquiry system online. A filing-office indexing error does not invalidate a filed record (§ 9-517), so even a correctly performed search cannot guarantee the absence of an effective prior filing. The official search uses the office's standard search logic, which applies limited normalization rules but does not retrieve spelling variants. Because the seriously-misleading rule of § 9-506(c) turns on what that logic discloses, searchers should run the debtor's precise legal name and, separately, any likely variants through the "other debtor search options." The DOS database includes the federal tax liens filed there under Lien Law § 240—those against corporations and partnerships—but not NFTLs filed with county clerks against other taxpayers, and State tax warrants sit in a separate system.

5. **Search-before-funding.** Run an official UCC11 search under the debtor's exact registered or license name to assess competing filings; the search itself neither perfects nor establishes priority.
6. **Pre-file when possible.** Because priority can date from filing even before attachment (§ 9-322), file the UCC1 before advancing funds and confirm the index reflects it.
7. **Re-verify on triggers.** Re-check the debtor's name after entity conversions, mergers, or (for individuals) license renewals, and re-perfect by the applicable § 9-316 deadline after relocation, including any earlier expiration under the old jurisdiction's law.

A.8 COOPERATIVE-INTEREST FILINGS — SPECIAL STEPS

For an ordinary co-op share loan, file locally where a mortgage on the building would be recorded, not in Albany. Use the UCC1 with a properly completed New York Cooperative Addendum (UCC1CAd), the usual route; without an addendum, satisfy § 9-502(b)'s additional requirements. The unit designation and street address are required under § 9-502(a)(4). A compliant addendum filed with the initial statement or before lapse gives 50-year effectiveness measured from the initial filing (§ 9-515(h)); calendar the actual deadline and the ordinary five-year continuation periods thereafter. The cooperative organization's own automatically perfected interest is an exception to filing. On payoff follow § 9-513(e). On default apply § 9-611(f)'s additional notice requirements to the covered loan category, including the 90-day acquisition/refinancing notice and the separate reverse-loan requirements described in Movement V.

A.9 A STEP-BY-STEP CHECKLIST

1. **Confirm the governing law and the office.** Characterize the collateral, confirm that New York law governs perfection by filing, then choose the office (Albany or local; both where the transaction requires them for perfection or the intended priority).
2. **Confirm the debtor's exact legal name** (public organic record for organizations; most recent unexpired New York license or ID for individuals, or the § 9-503(a)(5) name if there is none).
3. **Search** under that exact name (UCC11 and/or public inquiry) to establish the priority picture.
4. **Select the form(s):** UCC1 (+ UCC1Ad / UCC1AP as needed; + UCC1CAd for a co-op).
5. **Complete the required names, collateral indication, addresses and debtor information,** plus applicable co-op/real-property information and designations; omit Social Security numbers.
6. **File** by the cheapest adequate channel (e-file $20; paper/fax $40), ideally before funding.
7. **Save the acknowledgment** (file number, date, time) as proof of filing.
8. **Calendar** the lapse date (ordinarily five years; special initial periods and exceptions under § 9-515) and the six-month pre-lapse continuation window; diarize relocation and name-change triggers.
9. **On payoff and termination of commitments, deliver or file the termination as § 9-513 requires, observing the applicable demand conditions and deadlines**, and release control agreements and return collateral under the payoff documents.

A.10 WHERE TO GO

Office of the Uniform Commercial Code, Division of Corporations, State Records and UCC, New York Department of State, One Commerce Plaza, 99 Washington Avenue, Albany, NY 12231-0001; telephone (518) 473-2492. Forms, the e-filing system, the public-inquiry search, the fee schedule, and the office's "Filing Under Article 9" guidance are available at dos.ny.gov. For cooperative-interest and fixture filings in Manhattan, the Bronx, Brooklyn and Queens, use the City Register's ACRIS system; on Staten Island, the Richmond County Clerk; elsewhere, the county clerk where the real property sits.

> **BOTTOM LINE**
> Right law, right office, right name, right form, filed before funding, calendared for continuation. Those habits prevent most New York perfection failures—but an accepted filing proves only that a record was filed, not that the security interest exists or has priority.

NEW YORK CONSOLIDATED LAWS, UNIFORM COMMERCIAL CODE — ARTICLE 9. SECURED TRANSACTIONS

Statutory text current through the amendments made by Chapter 579 of the Laws of 2025 (Senate Bill S.1840-A / Assembly Bill A.3307-A), effective June 3, 2026, as published in the official New York Consolidated Laws (NYS Open Legislation) and reviewed in September 2026. Section and subsection captions are part of the statutory text. Where the published online text contains an evident typographical or consolidation error, the intended wording is reproduced and the published wording is identified in a bracketed editor's note. The NYS Open Legislation text is not an authenticated official source; confirm exact wording against an authenticated source before relying on it in litigation or drafting.

PART 1: GENERAL PROVISIONS

SUBPART 1: SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS

§ 9-101. SHORT TITLE.

This article may be cited as Uniform Commercial Code – Secured Transactions.

§ 9-102. DEFINITIONS AND INDEX OF DEFINITIONS.

(a) Article 9 definitions. In this article:

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

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

other than rights arising out of the use of a credit or charge card or information contained on or for use with the card, or (vii) rights to payment evidenced by an instrument.

[Editor's note: The official online text (NYS Open Legislation, revision of June 5, 2026) reads "rights to payment evidences by an instrument," an evident typographical error; the intended wording, which matches the uniform text, is reproduced above.]

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

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

(A) signed by a secured party;

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

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

(5) "Agricultural lien" means an interest in farm products:

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

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

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

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

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

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

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

(6) "As-extracted collateral" means:

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

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

(ii) attaches to the minerals as extracted; or

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

(7) Reserved.

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

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

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

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

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

(11) “Chattel paper” means:

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

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

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

(ii) the predominant purpose of the transaction giving rise to the lease was to give the lessee the right to possession and use of the goods; but

(C) does not include a right to payment arising out of a charter or other contract involving the use or hire of a vessel or a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

(11-a) “Check” means (i) a draft, other than a documentary draft, payable on demand and drawn on a bank or (ii) a cashier's check or a teller's check. An instrument may be a check even though it is described on its face by another term, such as “money order”. An instrument that (i) meets all of the requirements stated in Article 3 of this chapter to be a negotiable instrument other than stating that it is payable to order or bearer and (ii) otherwise qualifies as a check is a negotiable instrument and a check.

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

(A) proceeds to which a security interest attaches;

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

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

(13) “Commercial tort claim” means a claim arising in tort with respect to which:

(A) the claimant is an organization; or

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

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

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

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

(15) “Commodity contract” means a commodity futures contract, an option on a commodity futures contract, a commodity option, or another contract if the contract or option is:

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

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

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

(17) “Commodity intermediary” means a person that:

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

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

(18) “Communicate” means:

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

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

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

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

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

(A) the merchant:

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

(ii) is not an auctioneer; and

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

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

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

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

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

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

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

(24) “Consumer-goods transaction” means a consumer transaction in which:

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

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

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

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

(27) “Continuation statement” means an amendment of a financing statement which:

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

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

(27-a) “Controllable account” means an account evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that has control under Section 12-105 of the controllable electronic record.

(27-b) “Controllable payment intangible” means a payment intangible evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that has control under Section 12-105 of the controllable electronic record.

(27-c) “Cooperative addendum” means a record that satisfies Section 9-502(e).

(27-d) “Cooperative interest” means an ownership interest in a cooperative organization, which interest, when created, is coupled with possessory rights of a proprietary nature in identified physical space belonging to the cooperative organization. A subsequent termination of the possessory rights shall not cause an ownership interest to cease being a cooperative interest.

(27-e) “Cooperative organization” means an organization which has as its principal asset an interest in real property in this state and in which organization all ownership interests are cooperative interests.

(27-f) “Cooperative organization security interest” means a security interest which is in a cooperative interest, is in favor of the cooperative organization, is created by the cooperative record, and secures only obligations incident to ownership of that cooperative interest.

(27-g) “Cooperative record” means those records which, as a whole, evidence cooperative interests and define the mutual rights and obligations of the owners of the cooperative interests and the cooperative organization.

(27-h) “Cooperative unit” means the physical space associated with a cooperative interest.

(28) “Debtor” means:

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

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

(C) a consignee.

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

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

(31) Reserved.

(31-a) “Electronic money” means money in an electronic form.

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

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

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

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

(i) crops produced on trees, vines, and bushes; and

(ii) aquatic goods produced in aquacultural operations;

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

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

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

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

(36) “File number” means the number assigned to an initial financing statement pursuant to Section 9-519(a).

(37) “Filing office” means an office designated in Section 9-501 as the place to file a financing statement.

(38) “Filing-office rule” means a rule adopted pursuant to Section 9-526.

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

(40) “Fixture filing” means the filing of a financing statement covering goods that are or are to become fixtures and satisfying Section 9-502(a) and (b). The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

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

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

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

(44) “Goods” means all things that are movable when a security interest attaches. The term includes (i) fixtures, (ii) standing timber that is to be cut and removed under a conveyance or contract for sale, (iii) the unborn young of animals, (iv) crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes, and (v) manufactured homes. The term also includes a computer program embedded in goods and any supporting information provided in connection with a transaction relating to the program if (i) the program is associated with the goods in such a manner that it

customarily is considered part of the goods, or (ii) by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods. The term does not include a computer program embedded in goods that consists solely of the medium in which the program is embedded. The term also does not include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction.

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

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

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

(48) “Inventory” means goods, other than farm products, which:

(A) are leased by a person as lessor;

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

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

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

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

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

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

(52) “Lien creditor” means:

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

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

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

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

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

(54) “Manufactured-home transaction” means a secured transaction:

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

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

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

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

(56) “New debtor” means a person that becomes bound as debtor under Section 9-203(d) by a security agreement previously entered into by another person.

(57) “New value” means (i) money, (ii) money's worth in property, services, or new credit, or (iii) release by a transferee of an interest in property previously transferred to the transferee. The term does not include an obligation substituted for another obligation.

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

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

(60) “Original debtor”, except as used in Section 9-310(c), means a person that, as debtor, entered into a security agreement to which a new debtor has become bound under Section 9-203(d).

(60-a) “Payment assurance device” means any device installed in a vehicle that can be used to remotely disable the vehicle.

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

(62) “Person related to”, with respect to an individual, means:

(A) the spouse of the individual;

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

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

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

(63) “Person related to”, with respect to an organization, means:

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

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

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

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

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

(64) “Proceeds”, except as used in Section 9-609(b), means the following property:

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

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

(C) rights arising out of collateral;

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

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

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

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

(66-a) “Prove” with respect to a fact means to meet the burden of establishing the fact (Section 1-201(b)(8)).

(67) “Public-finance transaction” means a secured transaction in connection with which:

(A) debt securities are issued;

(B) all or a portion of the securities issued have an initial stated maturity of at least 20 years; and

(C) the debtor, obligor, secured party, account debtor or other person obligated on collateral, assignor or assignee of a secured obligation, or assignor or assignee of a security interest is a state or a governmental unit of a state.

(68) “Public organic record” means a record that is available to the public for inspection and is:

(A) a record consisting of the record initially filed with or issued by a state or the United States to form or organize an organization and any record filed with or issued by the state or the United States which amends or restates the initial record;

(B) an organic record of a business trust consisting of the record initially filed with a state and any record filed with the state which amends or restates the initial record, if a statute of the state governing business trusts requires that the record be filed with the state; or

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

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

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

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

(72) “Secondary obligor” means an obligor to the extent that:

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

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

(73) “Secured party” means:

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

(B) a person that holds an agricultural lien;

(C) a consignor;

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

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

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

(74) "Security agreement" means an agreement that creates or provides for a security interest. A cooperative record that provides that the owner of a cooperative interest has an obligation to pay amounts to the cooperative organization incident to ownership of that cooperative interest and which states that the cooperative organization has a direct remedy against that cooperative interest if such amounts are not paid is a security agreement creating a cooperative organization security interest.

(75) Reserved.

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

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

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

(79) Reserved.

(79-a) "Tangible money" means money in a tangible form.

(80) "Termination statement" means an amendment of a financing statement which:

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

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

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

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

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

(C) transmitting goods by pipeline or sewer; or

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

(b) Definitions in other articles. The following definitions in other articles apply to this article:

“Applicant”	Section 5-102.
“Beneficiary”	Section 5-102.
“Broker”	Section 8-102.
“Certificated security”	Section 8-102.
“Clearing corporation”	Section 8-102.
“Contract for sale”	Section 2-106.
“Control” (with respect to a document of title)	Section 7-106.
“Controllable electronic record”	Section 12-102.
“Customer”	Section 4-104.
“Entitlement holder”	Section 8-102.
“Financial asset”	Section 8-102.
“Holder in due course”	Section 3-302.
“Issuer” (with respect to a letter of credit or letter-of-credit right)	Section 5-102.
“Issuer” (with respect to a security)	Section 8-201.
“Issuer” (with respect to document of title)	Section 7-102.
“Lease”	Section 2-A-103.
“Lease agreement”	Section 2-A-103.
“Lease contract”	Section 2-A-103.
“Leasehold interest”	Section 2-A-103.
“Lessee”	Section 2-A-103.
“Lessee in ordinary course of business”	Section 2-A-103.
“Lessor”	Section 2-A-103.
“Lessor's residual interest”	Section 2-A-103.
“Letter of credit”	Section 5-102.
“Merchant”	Section 2-104.
“Negotiable instrument”	Section 3-104.
“Nominated person”	Section 5-102.
“Note”	Section 3-104.
“Proceeds of a letter of credit”	Section 5-114.
“Protected purchaser”	Section 8-303.
“Prove”	Section 4-A-105.
“Qualifying purchaser”	Section 12-102.
“Sale”	Section 2-106.

"Securities account" .... Section 8-501.
"Securities intermediary" .... Section 8-102.
"Security" .... Section 8-102.
"Security certificate" .... Section 8-102.
"Security entitlement" .... Section 8-102.
"Uncertificated security" .... Section 8-102.

(c) Article 1 definitions and principles. Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.

§ 9-103. PURCHASE-MONEY SECURITY INTEREST; APPLICATION OF PAYMENTS; BURDEN OF ESTABLISHING.

(a) Definitions. In this section:

(1) "purchase-money collateral" means goods or software that secures a purchase-money obligation incurred with respect to that collateral; and

(2) "purchase-money obligation" means an obligation of an obligor incurred as all or part of the price of the collateral or for value given to enable the debtor to acquire rights in or the use of the collateral if the value is in fact so used.

(b) Purchase-money security interest in goods. A security interest in goods is a purchase-money security interest:

(1) to the extent that the goods are purchase-money collateral with respect to that security interest;

(2) if the security interest is in inventory that is or was purchase-money collateral, also to the extent that the security interest secures a purchase-money obligation incurred with respect to other inventory in which the secured party holds or held a purchase-money security interest; and

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

(c) Purchase-money security interest in software. A security interest in software is a purchase-money security interest to the extent that the security interest also secures a purchase-money obligation incurred with respect to goods in which the secured party holds or held a purchase-money security interest if:

(1) the debtor acquired its interest in the software in an integrated transaction in which it acquired an interest in the goods; and

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

(d) Consignor's inventory purchase-money security interest. The security interest of a consignor in goods that are the subject of a consignment is a purchase-money security interest in inventory.

(e) Application of payment in non-consumer-goods transaction. In a transaction other than a consumer-goods transaction, if the extent to which a security interest is a purchase-money security interest depends on the application of a payment to a particular obligation, the payment must be applied:

(1) in accordance with any reasonable method of application to which the parties agree;

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

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

(A) to obligations that are not secured; and

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

(f) No loss of status of purchase-money security interest in non-consumer-goods transaction. In a transaction other than a consumer-goods transaction, a purchase-money security interest does not lose its status as such, even if:

(1) the purchase-money collateral also secures an obligation that is not a purchase-money obligation;

(2) collateral that is not purchase-money collateral also secures the purchase-money obligation; or

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

(g) Burden of proof in non-consumer-goods transaction. In a transaction other than a consumer-goods transaction, a secured party claiming a purchase-money security interest has the burden of establishing the extent to which the security interest is a purchase-money security interest.

(h) Non-consumer-goods transactions; no inference. The limitation of the rules in subsections (e), (f), and (g) to transactions other than consumer-goods transactions is intended to leave to the court the determination of the proper rules in consumer-goods transactions. The court may not infer from that limitation the nature of the proper rule in consumer-goods transactions and may continue to apply established approaches.

§ 9-104. CONTROL OF DEPOSIT ACCOUNT.

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

(1) the secured party is the bank with which the deposit account is maintained;

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

(3) the secured party becomes the bank's customer with respect to the deposit account;

(4) the name on the deposit account is the name of the secured party or indicates that the secured party has a security interest in the deposit account; or

(5) another person, other than the debtor:

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

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

(b) Debtor's right to direct disposition. A secured party that has satisfied subsection (a) has control, even if the debtor retains the right to direct the disposition of funds from the deposit account.

(c) No implied duties of bank. The authentication of a record by the bank under subsection (a)(2) does not impose upon the bank any duty not expressly agreed to by the bank in the record. The naming of the deposit account in the name of the secured party or with an indication that the secured party has a security interest in the deposit account under subsection (a)(4) does not impose upon the bank any duty not expressly agreed to by the bank.

(d) Conditions not relevant. A secured party has control under subsection (a)(2) even if any duty of the bank to comply with instructions originated by the secured party directing disposition of the funds in the deposit account is subject to any condition or conditions (other than further consent by the debtor).

(e) No inferences. The procedures and requirements of subsection (a)(4) available to obtain control shall not be used in interpreting the sufficiency of a secured party's compliance with the procedures and requirements of subsection (a)(1), (a)(2) or (a)(3) to obtain control. The provisions of subsection (a)(4) shall create no inference regarding the requirements for compliance with subsection (a)(1), (a)(2) or (a)(3).

§ 9-105. CONTROL OF ELECTRONIC COPY OF RECORD EVIDENCING CHATTEL PAPER.

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

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

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

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

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

(4) copies or revisions that add or change an identified assignee of the authoritative copy can be made only with the participation of the secured party;

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

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

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

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

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

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

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

(B) transfer control of the authoritative electronic copy.

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

(1) the authoritative electronic copy, a record attached to or logically associated with the authoritative electronic copy, or a system in which the authoritative electronic copy is recorded limits the use of the authoritative electronic copy or has a protocol programmed to cause a change, including a transfer or loss of control; or

(2) the power is shared with another person.

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

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

(2) the other person:

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

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

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

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

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

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

§ 9-105A. CONTROL OF ELECTRONIC MONEY.

(a) General rule: control of electronic money. A person has control of electronic money if:

(1) the electronic money, a record attached to or logically associated with the electronic money, or a system in which the electronic money is recorded gives the person:

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

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

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

(ii) transfer control of the electronic money to another person or cause another person to obtain control of other electronic money as a result of the transfer of the electronic money; and

(2) the electronic money, a record attached to or logically associated with the electronic money, or a system in which the electronic money is recorded enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as having the powers under paragraph (1).

(b) Meaning of exclusive. Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i) and (ii) even if:

(1) the electronic money, a record attached to or logically associated with the electronic money, or a system in which the electronic money is recorded limits the use of the electronic money or has a protocol programmed to cause a change, including a transfer or loss of control; or

(2) the power is shared with another person.

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

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

(2) the other person:

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

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

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

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

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

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

§ 9-106. CONTROL OF INVESTMENT PROPERTY.

(a) Control under Section 8-106. A person has control of a certificated security, uncertificated security, or security entitlement as provided in Section 8-106.

(b) Control of commodity contract. A secured party has control of a commodity contract if:

(1) the secured party is the commodity intermediary with which the commodity contract is carried; or

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

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

§ 9-107. CONTROL OF LETTER-OF-CREDIT RIGHT.

A secured party has control of a letter-of-credit right to the extent of any right to payment or performance by the issuer or any nominated person if the issuer or nominated person has consented to an assignment of proceeds of the letter of credit under Section 5-114(c) or otherwise applicable law or practice.

§ 9-107A. CONTROL OF CONTROLLABLE ELECTRONIC RECORD, CONTROLLABLE ACCOUNT, OR CONTROLLABLE PAYMENT INTANGIBLE.

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

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

§ 9-107B. NO REQUIREMENT TO ACKNOWLEDGE OR CONFIRM; NO DUTIES.

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

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

§ 9-108. SUFFICIENCY OF DESCRIPTION.

(a) Sufficiency of description. Except as otherwise provided in subsections (c), (d), and (e), a description of personal or real property is sufficient, whether or not it is specific, if it reasonably identifies what is described.

(b) Examples of reasonable identification. Except as otherwise provided in Section 9-502 and subsection (d), a description of collateral reasonably identifies the collateral if it identifies the collateral by:

(1) specific listing;

(2) category;

(3) except as otherwise provided in subsection (e), a type of collateral defined in this chapter;

(4) quantity;

(5) computational or allocational formula or procedure; or

(6) except as otherwise provided in subsection (c), any other method, if the identity of the collateral is objectively determinable.

(c) Supergeneric description not sufficient. A description of collateral as “all the debtor's assets” or “all the debtor's personal property” or using words of similar import does not reasonably identify the collateral.

(d) Investment property. Except as otherwise provided in subsection (e), a description of a security entitlement, securities account, or commodity account is sufficient if it describes:

(1) the collateral by those terms or as investment property; or

(2) the underlying financial asset or commodity contract.

(e) When description by type insufficient. A description only by type of collateral defined in this chapter is an insufficient description of:

(1) a commercial tort claim;

(2) in a consumer transaction, consumer goods, a security entitlement, a securities account, or a commodity account; or

(3) a cooperative interest.

SUBPART 2: APPLICABILITY OF ARTICLE

§ 9-109. SCOPE.

(a) General scope of article. Except as otherwise provided in subsections (c) and (d), this article applies to:

(1) a transaction, regardless of its form, that creates a security interest in personal property or fixtures by contract;

(2) an agricultural lien;

(3) a sale of accounts, chattel paper, payment intangibles, or promissory notes;

(4) a consignment;

(5) a security interest arising under Section 2-401, 2-505, 2-711(3), or 2-A-508(5), as provided in Section 9-110;

(6) a security interest arising under Section 4-210 or 5-118; and

(7) a security interest in a cooperative interest.

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

(c) Extent to which article does not apply. This article does not apply to the extent that:

(1) a statute, regulation, or treaty of the United States preempts this article;

(2) another statute of this State expressly governs the creation, perfection, priority, or enforcement of a security interest created by this state or a governmental unit of this state;

(3) a statute of another state, a foreign country, or a governmental unit of another state or a foreign country, other than a statute generally applicable to security interests, expressly governs creation, perfection, priority, or enforcement of a security interest created by the state, country, or governmental unit; or

(4) the rights of a transferee beneficiary or nominated person under a letter of credit are independent and superior under Section 5-114.

(d) Inapplicability of article. This article does not apply to:

(1) a landlord's lien, other than an agricultural lien, or a security interest in a cooperative interest;

(2) a lien, other than an agricultural lien, given by statute or other rule of law for services or materials, but Section 9-333 applies with respect to priority of the lien;

(3) an assignment of a claim for wages, salary, or other compensation of an employee;

(4) a sale of accounts, chattel paper, payment intangibles, or promissory notes as part of a sale of the business out of which they arose;

(5) an assignment of accounts, chattel paper, payment intangibles, or promissory notes which is for the purpose of collection only;

(6) an assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract;

(7) an assignment of a single account, payment intangible, or promissory note to an assignee in full or partial satisfaction of a preexisting indebtedness;

(8) a transfer of an interest in or an assignment of a claim under a policy of insurance or contract for an annuity including a variable annuity other than an assignment by or to a health-care provider of a health-care-insurance receivable and any subsequent assignment of the right to payment, but Sections 9-315 and 9-322 apply with respect to proceeds and priorities in proceeds;

(9) an assignment of a right represented by a judgment, other than a judgment taken on a right to payment that was collateral;

(10) a right of recoupment or set-off, but:

(A) Section 9-340 applies with respect to the effectiveness of rights of recoupment or set-off against deposit accounts; and

(B) Section 9-404 applies with respect to defenses or claims of an account debtor;

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

(A) liens on real property in Section 9-203 and 9-308;

(B) fixtures in Section 9-334;

(C) fixture filings in Sections 9-501, 9-502, 9-512, 9-516, and 9-519;

(D) security agreements covering personal and real property in Section 9-604; and

(E) security interests in cooperative interests;

(12) an assignment of a claim arising in tort, other than a commercial tort claim, but Sections 9-315 and 9-322 apply with respect to proceeds and priorities in proceeds; or

(13) an assignment of a deposit account in a consumer transaction, but Sections 9-315 and 9-322 apply with respect to proceeds and priorities in proceeds.

§ 9-110. SECURITY INTERESTS ARISING UNDER ARTICLE 2 OR 2-A.

A security interest arising under Section 2-401, 2-505, 2-711(3), or 2-A-508(5) is subject to this article. However, until the debtor obtains possession of the goods:

(1) the security interest is enforceable, even if Section 9-203(b)(3) has not been satisfied;

(2) filing is not required to perfect the security interest;

(3) the rights of the secured party after default by the debtor are governed by Article 2 or 2-A; and

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

PART 2: EFFECTIVENESS OF SECURITY AGREEMENT; ATTACHMENT OF SECURITY INTEREST; RIGHTS OF PARTIES TO SECURITY AGREEMENT

SUBPART 1: EFFECTIVENESS AND ATTACHMENT

§ 9-201. GENERAL EFFECTIVENESS OF SECURITY AGREEMENT.

(a) General effectiveness. Except as otherwise provided in this chapter, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

(b) Applicable consumer laws and other law. A transaction subject to this article is subject to:

(1) any applicable rule of law which establishes a different rule for consumers;

(2) any other statute or regulation of this state which regulates the rates, charges, agreements and practices for loans, credit sales or other extensions of credit;

(3) any consumer protection statute or regulation of this state.

(c) Other applicable law controls. In case of conflict between this article and a rule of law, statute, or regulation described in subsection (b), the rule of law, statute, or regulation controls.

Failure to comply with a statute or regulation described in subsection (b) has only the effect the statute or regulation specifies.

(d) Further deference to other applicable law. This article does not:

(1) validate any rate, charge, agreement, or practice that violates a rule of law, statute, or regulation described in subsection (b); or

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

§ 9-202. TITLE TO COLLATERAL IMMATERIAL.

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

§ 9-203. ATTACHMENT AND ENFORCEABILITY OF SECURITY INTEREST; PROCEEDS; SUPPORTING OBLIGATIONS; FORMAL REQUISITES.

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

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

(1) value has been given;

(2) the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party; and

(3) one of the following conditions is met:

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

(B) the collateral is not a certificated security and is in the possession of the secured party under Section 9-313 pursuant to the debtor's security agreement;

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

(D) the collateral is controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, investment property or letter-of-credit rights, and the secured party has control under Section 7-106, 9-104, 9-105, 9-105A, 9-106, 9-107, or 9-107A pursuant to the debtor's security agreement; or

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

(c) Other UCC provisions. Subsection (b) is subject to Section 4-210 on the security interest of a collecting bank, Section 5-118 on the security interest of a letter-of-credit issuer or nominated person, Section 9-110 on a security interest arising under Article 2 or 2-A, and Section 9-206 on security interests in investment property.

(d) When a person becomes bound by another person's security agreement. A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than this article or by contract:

(1) the security agreement becomes effective to create a security interest in the person's property; or

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

(e) Effect of new debtor becoming bound. If a new debtor becomes bound as debtor by a security agreement entered into by another person:

(1) the agreement satisfies subsection (b)(3) with respect to existing or after-acquired property of the new debtor to the extent the property is described in the agreement; and

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

(f) Proceeds and supporting obligations. The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by Section 9-315 and is also attachment of a security interest in a supporting obligation for the collateral.

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

(h) Security entitlement carried in securities account. The attachment of a security interest in a securities account is also attachment of a security interest in the security entitlements carried in the securities account.

(i) Commodity contracts carried in commodity account. The attachment of a security interest in a commodity account is also attachment of a security interest in the commodity contracts carried in the commodity account.

§ 9-204. AFTER-ACQUIRED PROPERTY; FUTURE ADVANCES.

(a) After-acquired collateral. Except as otherwise provided in subsection (b), a security agreement may create or provide for a security interest in after-acquired collateral.

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

> (1) consumer goods, other than an accession when given as additional security, unless the debtor acquires rights in them within 10 days after the secured party gives value; or
>
> (2) a commercial tort claim.

(b-1) Limitation on subsection (b). Subsection (b) does not prevent a security interest from attaching:

> (1) to consumer goods as proceeds under Section 9-315(a) or commingled goods under Section 9-336(c);
>
> (2) to a commercial tort claim as proceeds under Section 9-315(a); or
>
> (3) under an after-acquired property clause to property that is proceeds of consumer goods or a commercial tort claim.

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

§ 9-205. USE OR DISPOSITION OF COLLATERAL PERMISSIBLE.

(a) When security interest not invalid or fraudulent. A security interest is not invalid or fraudulent against creditors solely because:

> (1) the debtor has the right or ability to:
>
> > (A) use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods;

(B) collect, compromise, enforce, or otherwise deal with collateral;

(C) accept the return of collateral or make repossessions; or

(D) use, commingle, or dispose of proceeds; or

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

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

§ 9-206. SECURITY INTEREST ARISING IN PURCHASE OR DELIVERY OF FINANCIAL ASSET.

(a) Security interest when person buys through securities intermediary. A security interest in favor of a securities intermediary attaches to a person's security entitlement if:

(1) the person buys a financial asset through the securities intermediary in a transaction in which the person is obligated to pay the purchase price to the securities intermediary at the time of the purchase; and

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

(b) Security interest secures obligation to pay for financial asset. The security interest described in subsection (a) secures the person's obligation to pay for the financial asset.

(c) Security interest in payment against delivery transaction. A security interest in favor of a person that delivers a certificated security or other financial asset represented by a writing attaches to the security or other financial asset if:

(1) the security or other financial asset:

(A) in the ordinary course of business is transferred by delivery with any necessary indorsement or assignment; and

(B) is delivered under an agreement between persons in the business of dealing with such securities or financial assets; and

(2) the agreement calls for delivery against payment.

(d) Security interest secures obligation to pay for delivery. The security interest described in subsection (c) secures the obligation to make payment for the delivery.

SUBPART 2: RIGHTS AND DUTIES

§ 9-207. RIGHTS AND DUTIES OF SECURED PARTY HAVING POSSESSION OR CONTROL OF COLLATERAL.

(a) Duty of care when secured party in possession. Except as otherwise provided in subsection (d), a secured party shall use reasonable care in the custody and preservation of collateral in the secured party's possession. In the case of chattel paper or an instrument, reasonable care includes taking necessary steps to preserve rights against prior parties unless otherwise agreed.

(b) Expenses, risks, duties, and rights when secured party in possession. Except as otherwise provided in subsection (d), if a secured party has possession of collateral:

(1) reasonable expenses, including the cost of insurance and payment of taxes or other charges, incurred in the custody, preservation, use, or operation of the collateral are chargeable to the debtor and are secured by the collateral;

(2) the risk of accidental loss or damage is on the debtor to the extent of a deficiency in any effective insurance coverage;

(3) the secured party shall keep the collateral identifiable, but fungible collateral may be commingled; and

(4) the secured party may use or operate the collateral:

(A) for the purpose of preserving the collateral or its value;

(B) as permitted by an order of a court having competent jurisdiction; or

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

(c) Duties and rights when secured party in possession or control. Except as otherwise provided in subsection (d), a secured party having possession of collateral or control of collateral under Section 7-106, 9-104, 9-105, 9-105A, 9-106, 9-107, or 9-107A:

(1) may hold as additional security any proceeds, except money or funds, received from the collateral;

(2) shall apply money or funds received from the collateral to reduce the secured obligation, unless remitted to the debtor; and

(3) may create a security interest in the collateral.

(d) Buyer of certain rights to payment. If the secured party is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

(1) subsection (a) does not apply unless the secured party is entitled under an agreement:

(A) to charge back uncollected collateral; or

(B) otherwise to full or limited recourse against the debtor or a secondary obligor based on the nonpayment or other default of an account debtor or other obligor on the collateral; and

(2) subsections (b) and (c) do not apply.

§ 9-208. ADDITIONAL DUTIES OF SECURED PARTY HAVING CONTROL OF COLLATERAL.

(a) Applicability of section. This section applies to cases in which there is no outstanding secured obligation and the secured party is not committed to make advances, incur obligations, or otherwise give value.

(b) Duties of secured party after receiving demand from debtor. Within 10 days after receiving a signed demand by the debtor:

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

(2) a secured party having control of a deposit account under Section 9-104(a)(3) shall:

(A) pay the debtor the balance on deposit in the deposit account; or

(B) transfer the balance on deposit into a deposit account in the debtor's name;

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

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

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

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

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

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

§ 9-209. DUTIES OF SECURED PARTY IF ACCOUNT DEBTOR HAS BEEN NOTIFIED OF ASSIGNMENT.

(a) Applicability of section. Except as otherwise provided in subsection (c), this section applies if:

(1) there is no outstanding secured obligation; and

(2) the secured party is not committed to make advances, incur obligations, or otherwise give value.

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

(c) Inapplicability to sales. This section does not apply to an assignment constituting the sale of an account, chattel paper, or payment intangible.

§ 9-210. REQUEST FOR ACCOUNTING; REQUEST REGARDING LIST OF COLLATERAL OR STATEMENT OF ACCOUNT.

(a) Definitions in this section:

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

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

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

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

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

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

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

(c) Request regarding list of collateral; statement concerning type of collateral. A secured party that claims a security interest in all of a particular type of collateral owned by the debtor may comply with a request regarding a list of collateral by sending to the debtor a signed record including a statement to that effect within 14 days after receipt.

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

(1) disclaiming any interest in the collateral; and

(2) if known to the recipient, providing the name and mailing address of any assignee of or successor to the recipient's interest in the collateral.

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

(1) disclaiming any interest in the obligations; and

(2) if known to the recipient, providing the name and mailing address of any assignee of or successor to the recipient's interest in the obligations.

(f) Charges for responses. A debtor is entitled without charge to one response to a request under this section during any six-month period. The secured party may require payment of a charge not exceeding $25 for each additional response.

PART 3: PERFECTION AND PRIORITY

SUBPART 1: LAW GOVERNING PERFECTION AND PRIORITY

§ 9-301. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS.

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

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

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

(c) Except as otherwise provided in subsection (d), while negotiable tangible documents, goods, instruments, or tangible money is located in a jurisdiction, the local law of that jurisdiction governs:

(1) perfection of a security interest in the goods by filing a fixture filing;

(2) perfection of a security interest in timber to be cut; and

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

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

(e) When collateral is a cooperative interest, the law of this state governs perfection, the effect of perfection or nonperfection, and the priority of the security interest in such collateral.

§ 9-302. LAW GOVERNING PERFECTION AND PRIORITY OF AGRICULTURAL LIENS.

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

§ 9-303. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN GOODS COVERED BY A CERTIFICATE OF TITLE.

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

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

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

§ 9-304. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN DEPOSIT ACCOUNTS.

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

(b) Bank's jurisdiction. The following rules determine a bank's jurisdiction for purposes of this part:

> (1) If an agreement between the bank and its customer governing the deposit account expressly provides that a particular jurisdiction is the bank's jurisdiction for purposes of this part, this article, or this chapter, that jurisdiction is the bank's jurisdiction.

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

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

(4) If none of the preceding paragraphs apply, the bank's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the customer's account is located.

(5) If none of the preceding paragraphs apply, the bank's jurisdiction is the jurisdiction in which the chief executive office of the bank is located.

§ 9-305. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN INVESTMENT PROPERTY.

(a) Governing law: general rules. Except as otherwise provided in subsections (c) and (d), the following rules apply:

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

(2) The local law of the issuer's jurisdiction as specified in Section 8-110(d) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in an uncertificated security.

(3) The local law of the securities intermediary's jurisdiction as specified in Section 8-110(e) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a security entitlement or securities account.

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

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

(b) Commodity intermediary's jurisdiction. The following rules determine a commodity intermediary's jurisdiction for purposes of this part:

(1) If an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that a particular jurisdiction is the commodity intermediary's jurisdiction for purposes of this part, this article, or this chapter, that jurisdiction is the commodity intermediary's jurisdiction.

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

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

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

(5) If none of the preceding paragraphs apply, the commodity intermediary's jurisdiction is the jurisdiction in which the chief executive office of the commodity intermediary is located.

(c) When perfection governed by law of jurisdiction where debtor located. The local law of the jurisdiction in which the debtor is located governs:

(1) perfection of a security interest in investment property by filing;

(2) automatic perfection of a security interest in investment property created by a broker or securities intermediary; and

(3) automatic perfection of a security interest in a commodity contract or commodity account created by a commodity intermediary.

(d) Cooperative interests. Subsections (a) through (c) do not apply to cooperative interests.

§ 9-306. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN LETTER-OF-CREDIT RIGHTS.

(a) Governing law: issuer's or nominated person's jurisdiction. Subject to subsection (c), the local law of the issuer's jurisdiction or a nominated person's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a letter-of-credit right if the issuer's jurisdiction or nominated person's jurisdiction is a state.

(b) Issuer's or nominated person's jurisdiction. For purposes of this part, an issuer's jurisdiction or nominated person's jurisdiction is the jurisdiction whose law governs the liability of the issuer or nominated person with respect to the letter-of-credit right as provided in Section 5-116.

(c) When section not applicable. This section does not apply to a security interest that is perfected only under Section 9-308(d).

§ 9-306A. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN CHATTEL PAPER.

(a) Chattel paper evidenced by authoritative electronic copy. Except as provided in subsection (d), if chattel paper is evidenced only by an authoritative electronic copy of the chattel paper or is evidenced by an authoritative electronic copy and an authoritative tangible copy, the local law of the chattel paper's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in the chattel paper, even if the transaction does not bear any relation to the chattel paper's jurisdiction.

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

(1) If the authoritative electronic copy of the record evidencing chattel paper, or a record attached to or logically associated with the electronic copy and readily available for review, expressly provides that a particular jurisdiction is the chattel paper's jurisdiction for purposes of this part, this article, or this code, that jurisdiction is the chattel paper's jurisdiction.

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

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

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

(5) If paragraphs (1) through (4) do not apply, the chattel paper's jurisdiction is the jurisdiction in which the debtor is located.

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

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

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

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

§ 9-306B. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS, AND CONTROLLABLE PAYMENT INTANGIBLES.

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

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

(1) perfection of a security interest in a controllable account, controllable electronic record, or controllable payment intangible by filing; and

(2) automatic perfection of a security interest in a controllable payment intangible created by a sale of the controllable payment intangible.

§ 9-307. LOCATION OF DEBTOR.

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

(b) Debtor's location: general rules. Except as otherwise provided in this section, the following rules determine a debtor's location:

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

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

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

(c) Limitation of applicability of subsection (b). Subsection (b) applies only if a debtor's residence, place of business, or chief executive office, as applicable, is located in a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, recording, or registration system as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral. If subsection (b) does not apply, the debtor is located in the District of Columbia.

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

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

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

(1) in the state that the law of the United States designates, if the law designates a state of location;

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

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

(g) Continuation of location: change in status of registered organization. A registered organization continues to be located in the jurisdiction specified by subsection (e) or (f) notwithstanding:

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

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

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

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

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

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

SUBPART 2: PERFECTION

§ 9-308. WHEN SECURITY INTEREST OR AGRICULTURAL LIEN IS PERFECTED; CONTINUITY OF PERFECTION.

(a) Perfection of security interest. Except as otherwise provided in this section and Section 9-309, a security interest is perfected if it has attached and all of the applicable requirements for perfection in Sections 9-310 through 9-316 have been satisfied. A security interest is perfected when it attaches if the applicable requirements are satisfied before the security interest attaches.

(b) Perfection of agricultural lien. An agricultural lien is perfected if it has become effective and all of the applicable requirements for perfection in Section 9-310 have been satisfied. An agricultural lien is perfected when it becomes effective if the applicable requirements are satisfied before the agricultural lien becomes effective.

(c) Continuous perfection; perfection by different methods. A security interest or agricultural lien is perfected continuously if it is originally perfected by one method under this article and is later perfected by another method under this article, without an intermediate period when it was unperfected.

(d) Supporting obligation. Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.

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

(f) Security entitlement carried in securities account. Perfection of a security interest in a securities account also perfects a security interest in the security entitlements carried in the securities account.

(g) Commodity contract carried in commodity account. Perfection of a security interest in a commodity account also perfects a security interest in the commodity contracts carried in the commodity account.

(h) Cooperative organization security interest. A cooperative organization security interest becomes perfected when the cooperative interest first comes into existence and remains perfected so long as the cooperative interest exists.

§ 9-309. SECURITY INTEREST PERFECTED UPON ATTACHMENT.

The following security interests are perfected when they attach:

(1) a purchase-money security interest in consumer goods, except as otherwise provided in Section 9-311(b) with respect to consumer goods that are subject to a statute or treaty described in Section 9-311(a);

(2) an assignment of accounts or payment intangibles which does not by itself or in conjunction with other assignments to the same assignee transfer a significant part of the assignor's outstanding accounts or payment intangibles;

(3) a sale of a payment intangible;

(4) a sale of a promissory note;

(5) a security interest created by the assignment of a health-care-insurance receivable to the provider of the health-care goods or services;

(6) a security interest arising under Section 2-401, 2-505, 2-711(3), or 2-A-508(5), until the debtor obtains possession of the collateral;

(7) a security interest of a collecting bank arising under Section 4-210;

(8) a security interest of an issuer or nominated person arising under Section 5-118;

(9) a security interest arising in the delivery of a financial asset under Section 9-206(c);

(10) a security interest in investment property created by a broker or securities intermediary;

(11) a security interest in a commodity contract or a commodity account created by a commodity intermediary;

(12) an assignment for the benefit of all creditors of the transferor and subsequent transfers by the assignee thereunder;

(13) a security interest created by an assignment of a beneficial interest in a decedent's estate; and

(14) a sale by an individual of an account that is a right to payment of winnings in a lottery or other game of chance.

§ 9-310. WHEN FILING REQUIRED TO PERFECT SECURITY INTEREST OR AGRICULTURAL LIEN; SECURITY INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING PROVISIONS DO NOT APPLY.

(a) General rule: perfection by filing. Except as otherwise provided in subsection (b) and Section 9-312(b), a financing statement must be filed to perfect all security interests and agricultural liens.

(b) Exceptions: filing not necessary. Except as provided in subsection (d), the filing of a financing statement is not necessary to perfect a security interest:

(1) that is perfected under Section 9-308(d), (e), (f), or (g);

(2) that is perfected under Section 9-309 when it attaches;

(3) in property subject to a statute, regulation, or treaty described in Section 9-311(a);

(4) in goods in possession of a bailee which is perfected under Section 9-312(d)(1) or (2);

(5) in certificated securities, documents, goods, or instruments which is perfected without filing, control, or possession under Section 9-312(e), (f), or (g);

(6) in collateral in the secured party's possession under Section 9-313;

(7) in a certificated security which is perfected by delivery of the security certificate to the secured party under Section 9-313;

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

(8-a) in chattel paper which is perfected by possession and control under Section 9-314A;

(9) in proceeds which is perfected under Section 9-315;

(10) that is perfected under Section 9-316; or

(11) that is a cooperative organization security interest.

(c) Assignment of perfected security interest. If a secured party assigns a perfected security interest or agricultural lien, a filing under this article is not required to continue the perfected status of the security interest against creditors of and transferees from the original debtor.

(d) Special rule for cooperative interests. Except for a cooperative organization security interest, a security interest in a cooperative interest may be perfected only by filing a financing statement.

§ 9-311. PERFECTION OF SECURITY INTERESTS IN PROPERTY SUBJECT TO CERTAIN STATUTES, REGULATIONS, AND TREATIES.

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

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

(2) a certificate-of-title statute of this state or regulations promulgated thereunder, to the extent such statute or regulations provide for a security interest to be indicated on the certificate as a condition or result of perfection; or

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

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

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

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

§ 9-312. PERFECTION OF SECURITY INTERESTS IN CHATTEL PAPER, CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS, CONTROLLABLE PAYMENT INTANGIBLES, DEPOSIT ACCOUNTS, DOCUMENTS, GOODS COVERED BY DOCUMENTS, INSTRUMENTS, INVESTMENT PROPERTY, LETTER-OF-CREDIT RIGHTS, AND MONEY; PERFECTION BY PERMISSIVE FILING; TEMPORARY PERFECTION WITHOUT FILING OR TRANSFER OF POSSESSION.

(a) Perfection by filing permitted. A security interest in chattel paper, controllable accounts, controllable electronic records, controllable payment intangibles, instruments, investment property, or negotiable documents may be perfected by filing.

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

(1) a security interest in a deposit account may be perfected only by control under Section 9-314;

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

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

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

(c) Goods covered by negotiable document. While goods are in the possession of a bailee that has issued a negotiable document covering the goods:

(1) a security interest in the goods may be perfected by perfecting a security interest in the document; and

(2) a security interest perfected in the document has priority over any security interest that becomes perfected in the goods by another method during that time.

(d) Goods covered by nonnegotiable document. While goods are in the possession of a bailee that has issued a non-negotiable document covering the goods, a security interest in the goods may be perfected by:

(1) issuance of a document in the name of the secured party;

(2) the bailee's receipt of notification of the secured party's interest; or

(3) filing as to the goods.

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

(f) Temporary perfection: goods or documents made available to debtor. A perfected security interest in a negotiable document or goods in possession of a bailee, other than one that has issued a negotiable document for the goods, remains perfected for 20 days without filing if the secured party makes available to the debtor the goods or documents representing the goods for the purpose of:

(1) ultimate sale or exchange; or

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

(g) Temporary perfection: delivery of security certificate or instrument to debtor. A perfected security interest in a certificated security or instrument remains perfected for 20 days without filing if the secured party delivers the security certificate or instrument to the debtor for the purpose of:

(1) ultimate sale or exchange; or

(2) presentation, collection, enforcement, renewal, or registration of transfer.

(h) Expiration of temporary perfection. After the 20-day period specified in subsection (e), (f), or (g) expires, perfection depends upon compliance with this article.

(i) Cooperative interests. Subsections (a) through (h) do not apply to cooperative interests.

§ 9-313. WHEN POSSESSION BY OR DELIVERY TO SECURED PARTY PERFECTS SECURITY INTEREST WITHOUT FILING.

(a) Perfection by possession or delivery. Except as otherwise provided in subsection (b), a secured party may perfect a security interest in goods, instruments, negotiable tangible documents, or tangible money by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the certificated securities under Section 8-301.

(b) Goods covered by certificate of title. With respect to goods covered by a certificate of title issued by this state, a secured party may perfect a security interest in the goods by taking possession of the goods only in the circumstances described in Section 9-316(d).

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

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

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

(d) Time of perfection by possession; continuation of perfection. If perfection of a security interest depends upon possession of the collateral by a secured party, perfection occurs not earlier than the time the secured party takes possession and continues only while the secured party retains possession.

(e) Time of perfection by delivery; continuation of perfection. A security interest in a certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under Section 8-301 and remains perfected by delivery until the debtor obtains possession of the security certificate.

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

(g) Effectiveness of acknowledgment; no duties or confirmation. If a person acknowledges that it holds possession for the secured party's benefit:

(1) the acknowledgment is effective under subsection (c) or Section 8-301(a), even if the acknowledgment violates the rights of a debtor; and

(2) unless the person otherwise agrees or law other than this article otherwise provides, the person does not owe any duty to the secured party and is not required to confirm the acknowledgment to another person.

(h) Secured party's delivery to person other than debtor. A secured party having possession of collateral does not relinquish possession by delivering the collateral to a person other than the debtor or a lessee of the collateral from the debtor in the ordinary course of the debtor's business if the person was instructed before the delivery or is instructed contemporaneously with the delivery:

(1) to hold possession of the collateral for the secured party's benefit; or

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

(i) Effect of delivery under subsection (h); no duties or confirmation. A secured party does not relinquish possession, even if a delivery under subsection (h) violates the rights of a debtor. A person to which collateral is delivered under subsection (h) does not owe any duty to the secured party and is not required to confirm the delivery to another person unless the person otherwise agrees or law other than this article otherwise provides.

(j) Cooperative interests. Subsections (a) through (i) do not apply to cooperative interests.

§ 9-314. PERFECTION BY CONTROL.

(a) Perfection by control. A security interest in controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, investment property, or letter-of-credit rights may be perfected by control of the collateral under Section 7-106, 9-104, 9-105A, 9-106, 9-107 or 9-107A.

(b) Specified collateral: time of perfection by control; continuation of perfection. A security interest in controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, or letter-of-credit rights is perfected by control under Section 7-106, 9-104, 9-105A, 9-107, or 9-107A not earlier than the time when the secured party obtains control and remains perfected by control only while the secured party retains control.

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

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

(2) one of the following occurs:

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

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

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

(d) Cooperative interests. Subsections (a) through (c) do not apply to cooperative interests.

§ 9-314A. PERFECTION BY POSSESSION AND CONTROL OF CHATTEL PAPER.

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

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

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

§ 9-315. SECURED PARTY'S RIGHTS ON DISPOSITION OF COLLATERAL AND IN PROCEEDS.

(a) Disposition of collateral: continuation of security interest or agricultural lien; proceeds. Except as otherwise provided in this article and in Section 2-403(2):

> (1) a security interest or agricultural lien continues in collateral notwithstanding sale, lease, license, exchange, or other disposition thereof unless the secured party authorized the disposition free of the security interest or agricultural lien; and
>
> (2) a security interest attaches to any identifiable proceeds of collateral.

(b) When commingled proceeds identifiable. Proceeds that are commingled with other property are identifiable proceeds:

> (1) if the proceeds are goods, to the extent provided by Section 9-336; and
>
> (2) if the proceeds are not goods, to the extent that the secured party identifies the proceeds by a method of tracing, including application of equitable principles, that is permitted under law other than this article with respect to commingled property of the type involved.

(c) Perfection of security interest in proceeds. A security interest in proceeds is a perfected security interest if the security interest in the original collateral was perfected.

(d) Continuation of perfection. A perfected security interest in proceeds becomes unperfected on the 21st day after the security interest attaches to the proceeds unless:

> (1) the following conditions are satisfied:

(A) a filed financing statement covers the original collateral;

(B) the proceeds are collateral in which a security interest may be perfected by filing in the office in which the financing statement has been filed; and

(C) the proceeds are not acquired with cash proceeds;

(2) the proceeds are identifiable cash proceeds; or

(3) the security interest in the proceeds is perfected other than under subsection (c) when the security interest attaches to the proceeds or within 20 days thereafter.

(e) When perfected security interest in proceeds becomes unperfected. If a filed financing statement covers the original collateral, a security interest in proceeds which remains perfected under subsection (d)(1) becomes unperfected at the later of:

(1) when the effectiveness of the filed financing statement lapses under Section 9-515 or is terminated under Section 9-513; or

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

§ 9-316. EFFECT OF CHANGE IN GOVERNING LAW.

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

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

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

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

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

[Editor’s note: The official online text reads “If becomes perfected under the law of the other jurisdiction…,” omitting the subject. Chapter 579 of the Laws of 2025 amended subsections (a) and (f) of this section, not subsection (b), and the omission appears to be a consolidation error. The complete wording reproduced above is the pre-amendment text of subsection (b); confirm against an authenticated source before relying on the exact wording.]

(c) Possessory security interest in collateral moved to new jurisdiction. A possessory security interest in collateral, other than goods covered by a certificate of title and as-extracted collateral consisting of goods, remains continuously perfected if:

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

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

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

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

(e) When subsection (d) security interest becomes unperfected against purchasers. A security interest described in subsection (d) becomes unperfected as against a purchaser of the goods for value and is deemed never to have been perfected as against a purchaser of the goods for value if the applicable requirements for perfection under Section 9-311(b) or 9-313 are not satisfied before the earlier of:

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

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

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

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

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

(g) Subsection (f) security interest perfected or unperfected under law of new jurisdiction. If a security interest described in subsection (f) becomes perfected under the law of the other jurisdiction before the earlier of the time or the end of the period described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier of that time or the end of that period, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

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

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

(2) If a security interest perfected by a financing statement that is effective under paragraph (1) becomes perfected under the law of the other jurisdiction before the earlier of the time the financing statement would have become ineffective under the law of the jurisdiction designated in Section 9-301(a) or 9-305(c) or the expiration of the four-month period, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

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

(1) The financing statement is effective to perfect a security interest in collateral in which the new debtor has or acquires rights before or within four months after the new debtor becomes bound under Section 9-203(d), if the financing statement would have been effective to perfect a security interest in the collateral had the collateral been acquired by the original debtor.

(2) A security interest that is perfected by the financing statement and which becomes perfected under the law of the other jurisdiction before the earlier of the expiration of the four month period or the time the financing statement would have become ineffective under the law of the jurisdiction designated in Section 9-301(a) or 9-305(c) remains

perfected thereafter. A security interest that is perfected by the financing statement but which does not become perfected under the law of the other jurisdiction before the earlier time or event becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

SUBPART 3: PRIORITY

§ 9-317. INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST OR AGRICULTURAL LIEN.

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

(1) a person entitled to priority under Section 9-322; and

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

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

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

(b) Buyers that receive delivery. Except as otherwise provided in subsection (e), a buyer, other than a secured party, of goods, instruments, tangible documents, or a certificated security takes free of a security interest or agricultural lien if the buyer gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

(c) Lessees that receive delivery. Except as otherwise provided in subsection (e), a lessee of goods takes free of a security interest or agricultural lien if the lessee gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

(d) Licensees and buyers of certain collateral. Subject to subsections (f) through (i), a licensee of a general intangible or a buyer, other than a secured party, of collateral other than electronic money, goods, instruments, intangible documents or a certificated security takes free of a security interest if the licensee or buyer gives value without knowledge of the security interest and before it is perfected.

(e) Purchase-money security interest. Except as otherwise provided in Sections 9-320 and 9-321, if a person files a financing statement with respect to a purchase-money security interest before or within 20 days after the debtor receives delivery of the collateral, the security interest takes priority over the rights of a buyer, lessee, or lien creditor which arise between the time the security interest attaches and the time of filing. The preceding sentence does not apply to cooperative interests.

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

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

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

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

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

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

§ 9-318. NO INTEREST RETAINED IN RIGHT TO PAYMENT THAT IS SOLD; RIGHTS AND TITLE OF SELLER OF ACCOUNT OR CHATTEL PAPER WITH RESPECT TO CREDITORS AND PURCHASERS.

(a) Seller retains no interest. A debtor that has sold an account, chattel paper, payment intangible, or promissory note does not retain a legal or equitable interest in the collateral sold.

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

§ 9-319. RIGHTS AND TITLE OF CONSIGNEE WITH RESPECT TO CREDITORS AND PURCHASERS.

(a) Consignee has consignor's rights. Except as otherwise provided in subsection (b), for purposes of determining the rights of creditors of, and purchasers for value of goods from, a consignee, while the goods are in the possession of the consignee, the consignee is deemed to have rights and title to the goods identical to those the consignor had or had power to transfer.

(b) Applicability of other law. For purposes of determining the rights of a creditor of a consignee, law other than this article determines the rights and title of a consignee while goods are in the consignee's possession if, under this part, a perfected security interest held by the consignor would have priority over the rights of the creditor.

§ 9-320. BUYER OF GOODS.

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

(b) Buyer of consumer goods. Except as otherwise provided in subsection (e), a buyer of goods from a person who used or bought the goods for use primarily for personal, family, or household purposes takes free of a security interest, even if perfected, if the buyer buys:

(1) without knowledge of the security interest;

(2) for value;

(3) primarily for the buyer's personal, family, or household purposes; and

(4) before the filing of a financing statement covering the goods.

(c) Effectiveness of filing for subsection (b). To the extent that it affects the priority of a security interest over a buyer of goods under subsection (b), the period of effectiveness of a filing made in the jurisdiction in which the seller is located is governed by Section 9-316(a) and (b).

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

(e) Possessory security interest not affected. Subsections (a) and (b) do not affect a security interest in goods in the possession of the secured party under Section 9-313.

§ 9-321. LICENSEE OF GENERAL INTANGIBLE AND LESSEE OF GOODS IN ORDINARY COURSE OF BUSINESS.

(a) “Licensee in ordinary course of business.” In this section, “licensee in ordinary course of business” means a person that becomes a licensee of a general intangible in good faith, without knowledge that the license violates the rights of another person in the general intangible, and in the ordinary course from a person in the business of licensing general intangibles of that kind. A person becomes a licensee in the ordinary course if the license to the person comports with the usual or customary practices in the kind of business in which the licensor is engaged or with the licensor's own usual or customary practices.

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

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

§ 9-322. PRIORITIES AMONG CONFLICTING SECURITY INTERESTS IN AND AGRICULTURAL LIENS ON SAME COLLATERAL.

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

> (1) Conflicting perfected security interests and agricultural liens rank according to priority in time of filing or perfection. Priority dates from the earlier of the time a filing covering the collateral is first made or the security interest or agricultural lien is first perfected, if there is no period thereafter when there is neither filing nor perfection.
>
> (2) A perfected security interest or agricultural lien has priority over a conflicting unperfected security interest or agricultural lien.
>
> (3) The first security interest or agricultural lien to attach or become effective has priority if conflicting security interests and agricultural liens are unperfected.

(b) Time of perfection: proceeds and supporting obligations. For the purposes of subsection (a)(1):

> (1) the time of filing or perfection as to a security interest in collateral is also the time of filing or perfection as to a security interest in proceeds; and

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

(c) Special priority rules: proceeds and supporting obligations. Except as otherwise provided in subsection (f), a security interest in collateral which qualifies for priority over a conflicting security interest under Section 9-327, 9-328, 9-329, 9-330, or 9-331 also has priority over a conflicting security interest in:

(1) any supporting obligation for the collateral; and

(2) proceeds of the collateral if:

(A) the security interest in proceeds is perfected;

(B) the proceeds are cash proceeds or of the same type as the collateral; and

(C) in the case of proceeds that are proceeds of proceeds, all intervening proceeds are cash proceeds, proceeds of the same type as the collateral, or an account relating to the collateral.

(d) First-to-file priority rule for certain collateral. Subject to subsection (e) and except as otherwise provided in subsection (f), if a security interest in chattel paper, deposit accounts, negotiable documents, instruments, investment property, or letter-of-credit rights is perfected by a method other than filing, conflicting perfected security interests in proceeds of the collateral rank according to priority in time of filing.

(e) Applicability of subsection (d). Subsection (d) applies only if the proceeds of the collateral are not cash proceeds, chattel paper, negotiable documents, instruments, investment property, or letter-of-credit rights.

(f) Limitations on subsections (a) through (e). Subsections (a) through (e) are subject to:

(1) subsection (g) and the other provisions of this part;

(2) Section 4-210 with respect to a security interest of a collecting bank;

(3) Section 5-118 with respect to a security interest of an issuer or nominated person; and

(4) Section 9-110 with respect to a security interest arising under Article 2 or 2-A.

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

(h) Special priority rules: cooperative interests.

(1) With respect to all amounts secured, a cooperative organization security interest has priority over all other security interests in a cooperative interest.

(2) As to security interests in cooperative interests other than cooperative organization security interests, Section 9-323(h) provides special rules for future advances.

§ 9-323. FUTURE ADVANCES.

(a) When priority based on time of advance. Except as otherwise provided in subsection (c), for purposes of determining the priority of a perfected security interest under Section 9-322(a)(1), perfection of the security interest dates from the time an advance is made to the extent that the security interest secures an advance that:

(1) is made while the security interest is perfected only:

(A) under Section 9-309 when it attaches; or

(B) temporarily under Section 9-312(e), (f), or (g); and

(2) is not made pursuant to a commitment entered into before or while the security interest is perfected by a method other than under Section 9-309 or 9-312(e), (f), or (g).

(b) Lien creditor. Except as otherwise provided in subsections (c) and (h), a security interest is subordinate to the rights of a person that becomes a lien creditor to the extent that the security interest secures an advance made more than 45 days after the person becomes a lien creditor unless the advance is made:

(1) without knowledge of the lien; or

(2) pursuant to a commitment entered into without knowledge of the lien.

(c) Buyer of receivables. Subsections (a) and (b) do not apply to a security interest held by a secured party that is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor.

(d) Buyer of goods. Except as otherwise provided in subsection (e), a buyer of goods takes free of a security interest to the extent that it secures advances made after the earlier of:

(1) the time the secured party acquires knowledge of the buyer's purchase; or

(2) 45 days after the purchase.

(e) Advances made pursuant to commitment: priority of buyer of goods. Subsection (d) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the buyer's purchase and before the expiration of the 45 day period.

(f) Lessee of goods. Except as otherwise provided in subsection (g), a lessee of goods takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of:

(1) the time the secured party acquires knowledge of the lease; or

(2) 45 days after the lease contract becomes enforceable.

(g) Advances made pursuant to commitment: priority of lessee of goods. Subsection (f) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the lease and before the expiration of the 45 day period.

(h) Priority with respect to cooperative interests. The following rules apply for purposes of determining under Section 9-322(a)(1) the priority of a perfected security interest in a cooperative interest:

(1) Perfection of the security interest with respect to a future advance dates from the time of the filing under Section 9-310(d) if all of the following are true:

(A) The security agreement states the maximum amount to be advanced pursuant to commitment;

(B) The future advance is made pursuant to that commitment;

(C) The future advance plus the outstanding sum of any prior advances is not more than the stated maximum amount; and

(D) The filed financing statement includes a cooperative addendum disclosing that the security agreement contains a commitment to make future advances.

(2) Except as provided in paragraph (1), perfection of the security interest with respect to a future advance dates from the time the advance is made.

(3) For purposes of paragraph (1), no amendment of a security agreement shall adversely affect the priority of any other security interest in the same cooperative interest that was perfected prior to the amendment.

(4) This subsection applies only to advances made subsequent to an initial advance.

§ 9-324. PRIORITY OF PURCHASE-MONEY SECURITY INTERESTS.

(a) General rule: purchase-money priority. Except as otherwise provided in subsection (g), a perfected purchase-money security interest in goods other than inventory or livestock has priority over a conflicting security interest in the same goods, and, except as otherwise provided in Section 9-327, a perfected security interest in its identifiable proceeds also has priority, if the purchase-money security interest is perfected when the debtor receives possession of the collateral or within 20 days thereafter.

(b) Inventory purchase-money priority. Subject to subsection (c) and except as otherwise provided in subsection (g), a perfected purchase-money security interest in inventory has priority over a conflicting security interest in the same inventory, has priority over a conflicting security interest in chattel paper or an instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if so provided in Section 9-330, and, except as otherwise provided in Section 9-327, also has priority in identifiable cash proceeds of the inventory to the extent the identifiable cash proceeds are received on or before the delivery of the inventory to a buyer, if:

(1) the purchase-money security interest is perfected when the debtor receives possession of the inventory;

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

(3) the holder of the conflicting security interest receives the notification within five years before the debtor receives possession of the inventory; and

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

(c) Holders of conflicting inventory security interests to be notified. Subsections (b)(2) through (4) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of inventory:

(1) if the purchase-money security interest is perfected by filing, before the date of the filing; or

(2) if the purchase-money security interest is temporarily perfected without filing or possession under Section 9-312(f), before the beginning of the 20-day period thereunder.

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

(1) the purchase-money security interest is perfected when the debtor receives possession of the livestock;

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

(3) the holder of the conflicting security interest receives the notification within six months before the debtor receives possession of the livestock; and

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

(e) Holders of conflicting livestock security interests to be notified. Subsections (d)(2) through (4) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of livestock:

(1) if the purchase-money security interest is perfected by filing, before the date of the filing; or

(2) if the purchase-money security interest is temporarily perfected without filing or possession under Section 9-312(f), before the beginning of the 20-day period thereunder.

(f) Software purchase-money priority. Except as otherwise provided in subsection (g), a perfected purchase-money security interest in software has priority over a conflicting security interest in the same collateral, and, except as otherwise provided in Section 9-327, a perfected security interest in its identifiable proceeds also has priority, to the extent that the purchase-money security interest in the goods in which the software was acquired for use has priority in the goods and proceeds of the goods under this section.

(g) Conflicting purchase-money security interests. If more than one security interest qualifies for priority in the same collateral under subsection (a), (b), (d), or (f):

(1) a security interest securing an obligation incurred as all or part of the price of the collateral has priority over a security interest securing an obligation incurred for value given to enable the debtor to acquire rights in or the use of collateral; and

(2) in all other cases, Section 9-322(a) applies to the qualifying security interests.

§ 9-325. PRIORITY OF SECURITY INTERESTS IN TRANSFERRED COLLATERAL.

(a) Subordination of security interest in transferred collateral. Except as otherwise provided in subsection (b), a security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if:

(1) the debtor acquired the collateral subject to the security interest created by the other person;

(2) the security interest created by the other person was perfected when the debtor acquired the collateral; and

(3) there is no period thereafter when the security interest is unperfected.

(b) Limitation of subsection (a) subordination. Subsection (a) subordinates a security interest only if the security interest:

(1) otherwise would have priority solely under Section 9-322(a) or 9-324; or

(2) arose solely under Section 2-711(3) or 2-A-508(5).

§ 9-326. PRIORITY OF SECURITY INTERESTS CREATED BY NEW DEBTOR.

(a) Subordination of security interest created by new debtor. Subject to subsection (b), a security interest that is created by a new debtor in collateral in which the new debtor has or acquires rights and is perfected solely by a filed financing statement that would be ineffective to perfect the security interest but for the application of Section 9-316(i)(1) or 9-508 is subordinate to a security interest in the same collateral which is perfected other than by such a filed financing statement.

(b) Priority under other provisions; multiple original debtors. The other provisions of this part determine the priority among conflicting security interests in the same collateral perfected by filed financing statements described in subsection (a). However, if the security agreements to which a new debtor became bound as debtor were not entered into by the same original debtor, the conflicting security interests rank according to priority in time of the new debtor's having become bound.

§ 9-326A. PRIORITY OF SECURITY INTEREST IN CONTROLLABLE ACCOUNT, CONTROLLABLE ELECTRONIC RECORD, AND CONTROLLABLE PAYMENT INTANGIBLE.

A security interest in a controllable account, controllable electronic record, or controllable payment intangible held by a secured party having control of the account, electronic record, or payment intangible has priority over a conflicting security interest held by a secured party that does not have control.

§ 9-327. PRIORITY OF SECURITY INTERESTS IN DEPOSIT ACCOUNT.

The following rules govern priority among conflicting security interests in the same deposit account:

(a) A security interest held by a secured party having control of the deposit account under Section 9-104 has priority over a conflicting security interest held by a secured party that does not have control.

(b) Except as otherwise provided in subsections (c) and (d), security interests perfected by control under Section 9-314 rank according to priority in time of obtaining control.

(c) Except as otherwise provided in subsection (d), a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party.

(d) A security interest perfected by control under Section 9-104(a)(3) has priority over a security interest held by the bank with which the deposit account is maintained.

§ 9-328. PRIORITY OF SECURITY INTERESTS IN INVESTMENT PROPERTY.

The following rules govern priority among conflicting security interests in the same investment property:

(a) A security interest held by a secured party having control of investment property under Section 9-106 has priority over a security interest held by a secured party that does not have control of the investment property.

(b) Except as otherwise provided in paragraphs (c) and (d), conflicting security interests held by secured parties each of which has control under Section 9-106 rank according to priority in time of:

(1) if the collateral is a security, obtaining control;

(2) if the collateral is a security entitlement carried in a securities account and:

(A) if the secured party obtained control under Section 8-106 (d) (1), the secured party's becoming the person for which the securities account is maintained;

(B) if the secured party obtained control under Section 8-106 (d) (2), the securities intermediary's agreement to comply with the secured party's entitlement orders with respect to security entitlements carried or to be carried in the securities account; or

(C) if the secured party obtained control through another person under Section 8-106 (d) (3), the time on which priority would be based under this paragraph if the other person were the secured party; or

(3) if the collateral is a commodity contract carried with a commodity intermediary, the satisfaction of the requirement for control specified in Section 9-106 (b) (2) with respect to commodity contracts carried or to be carried with the commodity intermediary.

(c) A security interest held by a securities intermediary in a security entitlement or a securities account maintained with the securities intermediary has priority over a conflicting security interest held by another secured party.

(d) A security interest held by a commodity intermediary in a commodity contract or a commodity account maintained with the commodity intermediary has priority over a conflicting security interest held by another secured party.

(e) A security interest in a certificated security in registered form which is perfected by taking delivery under Section 9-313 (a) and not by control under Section 9-314 has priority over a conflicting security interest perfected by a method other than control.

(f) Conflicting security interests created by a broker, securities intermediary, or commodity intermediary which are perfected without control under Section 9-106 rank equally.

(g) In all other cases, priority among conflicting security interests in investment property is governed by Sections 9-322 and 9-323.

(h) Subsections (a) through (g) do not apply to cooperative interests.

§ 9-329. PRIORITY OF SECURITY INTERESTS IN LETTER-OF-CREDIT RIGHT.

The following rules govern priority among conflicting security interests in the same letter-of-credit right:

(a) A security interest held by a secured party having control of the letter-of-credit right under Section 9-107 has priority to the extent of its control over a conflicting security interest held by a secured party that does not have control.

(b) Security interests perfected by control under Section 9-314 rank according to priority in time of obtaining control.

§ 9-330. PRIORITY OF PURCHASER OF CHATTEL PAPER OR INSTRUMENT.

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

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

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

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

(c) Chattel paper purchaser's priority in proceeds. Except as otherwise provided in Section 9-327, a purchaser having priority in chattel paper under subsection (a) or (b) also has priority in proceeds of the chattel paper to the extent that:

(1) Section 9-322 provides for priority in the proceeds; or

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

(d) Instrument purchaser's priority. Except as otherwise provided in Section 9-331(a), a purchaser of an instrument has priority over a security interest in the instrument perfected by a method other than possession if the purchaser gives value and takes possession of the instrument in good faith and without knowledge that the purchase violates the rights of the secured party.

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

(f) Indication of assignment gives knowledge. For purposes of subsections (b) and (d), if the authoritative copies of the record evidencing chattel paper or an instrument indicate that the chattel paper or instrument has been assigned to an identified secured party other than the purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase violates the rights of the secured party.

§ 9-331. PRIORITY OF RIGHTS OF PURCHASERS OF CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS, CONTROLLABLE PAYMENT INTANGIBLES, DOCUMENTS, INSTRUMENTS, AND SECURITIES UNDER OTHER ARTICLES; PRIORITY OF INTERESTS IN FINANCIAL ASSETS AND SECURITY ENTITLEMENTS AND PROTECTION AGAINST ASSERTION OF CLAIM UNDER ARTICLES 8 AND 12.

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

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

(c) Filing not notice. Filing under this article does not constitute notice of a claim or defense to the holders, or purchasers, or persons described in subsections (a) and (b).

(d) Section not applicable to cooperative interests. Subsections (a), (b), and (c) do not apply to cooperative interests.

§ 9-332. TRANSFER OF MONEY; TRANSFER OF FUNDS FROM DEPOSIT ACCOUNT.

(a) Transferee of tangible money. A transferee of tangible money takes the money free of a security interest if the transferee receives possession of the money without acting in collusion with the debtor in violating the rights of the secured party.

(b) Transferee of funds from deposit account. A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account if the transferee receives the funds without acting in collusion with the debtor in violating the rights of the secured party.

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

§ 9-333. PRIORITY OF CERTAIN LIENS ARISING BY OPERATION OF LAW.

(a) “Possessory lien.” In this section, “possessory lien” means an interest, other than a security interest or an agricultural lien:

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

(2) which is created by statute or rule of law in favor of the person; and

(3) whose effectiveness depends on the person's possession of the goods.

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

§ 9-334. PRIORITY OF SECURITY INTERESTS IN FIXTURES AND CROPS.

(a) Security interest in fixtures under this article. A security interest under this article may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under this article in ordinary building materials incorporated into an improvement on land.

(b) Security interest in fixtures under real property law. This article does not prevent creation of an encumbrance upon fixtures under real property law.

(c) General rule: subordination of security interest in fixtures. In cases not governed by subsections (d) through (h), a security interest in fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the related real property other than the debtor.

(d) Fixtures purchase-money priority. Except as otherwise provided in subsection (h), a perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property and:

(1) the security interest is a purchase-money security interest;

(2) the interest of the encumbrancer or owner arises before the goods become fixtures; and

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

(e) Priority of security interest in fixtures over interests in real property. A perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if:

(1) the debtor has an interest of record in the real property or is in possession of the real property and the security interest:

(A) is perfected by a fixture filing before the interest of the encumbrancer or owner is of record; and

(B) has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner;

(2) before the goods become fixtures, the security interest is perfected by any method permitted by this article and the fixtures are readily removable:

(A) factory or office machines;

(B) equipment that is not primarily used or leased for use in the operation of the real property; or

(C) replacements of domestic appliances that are consumer goods;

(3) the conflicting interest is a lien on the real property obtained by legal or equitable proceedings after the security interest was perfected by any method permitted by this article; or

(4) the security interest is:

(A) created in a manufactured home in a manufactured-home transaction; and

(B) perfected pursuant to a statute described in Section 9-311(a)(2).

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

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

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

(g) Continuation of paragraph (f)(2) priority. The priority of the security interest under paragraph (f)(2) continues for a reasonable time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

(h) Priority of construction mortgage. A mortgage is a construction mortgage to the extent that it secures an obligation incurred for the construction of an improvement on land, including the acquisition cost of the land, if a recorded record of the mortgage so indicates. Except as otherwise provided in subsections (e) and (f), a security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage is recorded before the goods become fixtures and the goods become fixtures before the completion of the construction. A mortgage has this priority to the same extent as a construction mortgage to the extent that it is given to refinance a construction mortgage.

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

(j) Subsection (i) prevails. Subsection (i) prevails over any inconsistent provisions with this article or any other chapter of law.

§ 9-335. ACCESSIONS.

(a) Creation of security interest in accession. A security interest may be created in an accession and continues in collateral that becomes an accession.

(b) Perfection of security interest. If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the collateral.

(c) Priority of security interest. Except as otherwise provided in subsection (d), the other provisions of this part determine the priority of a security interest in an accession.

(d) Compliance with certificate-of-title statute. A security interest in an accession is subordinate to a security interest in the whole which is perfected by compliance with the requirements of a certificate-of-title statute under Section 9-311 (b).

(e) Removal of accession after default. After default, subject to Part 6, a secured party may remove an accession from other goods if the security interest in the accession has priority over the claims of every person having an interest in the whole.

(f) Reimbursement following removal. A secured party that removes an accession from other goods under subsection (e) shall promptly reimburse any holder of a security interest or other lien on, or owner of, the whole or of the other goods, other than the debtor, for the cost of repair of any physical injury to the whole or the other goods. The secured party need not reimburse the holder or owner for any diminution in value of the whole or the other goods caused by the absence of the accession removed or by any necessity for replacing it. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

§ 9-336. COMMINGLED GOODS.

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

(b) No security interest in commingled goods as such. A security interest does not exist in commingled goods as such. However, a security interest may attach to a product or mass that results when goods become commingled goods.

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

(d) Perfection of security interest. If a security interest in collateral is perfected before the collateral becomes commingled goods, the security interest that attaches to the product or mass under subsection (c) is perfected.

(e) Priority of security interest. Except as otherwise provided in subsection (f), the other provisions of this part determine the priority of a security interest that attaches to the product or mass under subsection (c).

(f) Conflicting security interests in product or mass. If more than one security interest attaches to the product or mass under subsection (c), the following rules determine priority:

> (1) A security interest that is perfected under subsection (d) has priority over a security interest that is unperfected at the time the collateral becomes commingled goods.
>
> (2) If more than one security interest is perfected under subsection (d), the security interests rank equally in proportion to the value of the collateral at the time it became commingled goods.

§ 9-337. PRIORITY OF SECURITY INTERESTS IN GOODS COVERED BY CERTIFICATE OF TITLE.

If, while a security interest in goods is perfected by any method under the law of another jurisdiction, this state issues a certificate of title that does not show that the goods are subject to the security interest or contain a statement that they may be subject to security interests not shown on the certificate:

(a) a buyer of the goods, other than a person in the business of selling goods of that kind, takes free of the security interest if the buyer gives value and receives delivery of the goods after issuance of the certificate and without knowledge of the security interest; and

(b) the security interest is subordinate to a conflicting security interest in the goods that attaches, and is perfected under Section 9-311 (b), after issuance of the certificate and without the conflicting secured party's knowledge of the security interest.

§ 9-338. PRIORITY OF SECURITY INTEREST OR AGRICULTURAL LIEN PERFECTED BY FILED FINANCING STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION.

If a security interest or agricultural lien is perfected by a filed financing statement providing information described in Section 9-516(b)(5) which is incorrect at the time the financing statement is filed:

(1) the security interest or agricultural lien is subordinate to a conflicting perfected security interest in the collateral to the extent that the holder of the conflicting security interest gives value in reasonable reliance upon the incorrect information; and

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

§ 9-339. PRIORITY SUBJECT TO SUBORDINATION.

This article does not preclude subordination by agreement by a person entitled to priority.

SUBPART 4: RIGHTS OF BANK

§ 9-340. EFFECTIVENESS OF RIGHT OF RECOUPMENT OR SET-OFF AGAINST DEPOSIT ACCOUNT.

(a) Exercise of recoupment or set-off. Except as otherwise provided in subsection (c), a bank with which a deposit account is maintained may exercise any right of recoupment or set-off against a secured party that holds a security interest in the deposit account.

(b) Recoupment or set-off not affected by security interest. Except as otherwise provided in subsection (c), the application of this article to a security interest in a deposit account does not affect a right of recoupment or set-off of the secured party as to a deposit account maintained with the secured party.

(c) When set-off ineffective. The exercise by a bank of a set-off against a deposit account is ineffective against a secured party that holds a security interest in the deposit account which is perfected by control under Section 9-104(a)(3), if the set-off is based on a claim against the debtor.

§ 9-341. BANK'S RIGHTS AND DUTIES WITH RESPECT TO DEPOSIT ACCOUNT.

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

(a) the creation, attachment, or perfection of a security interest in the deposit account;

(b) the bank's knowledge of the security interest; or

(c) the bank's receipt of instructions from the secured party.

§ 9-342. BANK'S RIGHT TO REFUSE TO ENTER INTO OR DISCLOSE EXISTENCE OF CONTROL AGREEMENT.

This article does not require a bank to enter into an agreement of the kind described in Section 9-104(a)(2), even if its customer so requests or directs. A bank that has entered into such an agreement is not required to confirm the existence of the agreement to another person unless requested to do so by its customer.

PART 4: RIGHTS OF THIRD PARTIES

§ 9-401. ALIENABILITY OF DEBTOR'S RIGHTS.

(a) Other law governs alienability; exceptions. Except as otherwise provided in subsection (b) and Sections 9-406, 9-407, 9-408, and 9-409, whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is governed by law other than this article.

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

§ 9-402. SECURED PARTY NOT OBLIGATED ON CONTRACT OF DEBTOR OR IN TORT.

The existence of a security interest, agricultural lien, or authority given to a debtor to dispose of or use collateral, without more, does not subject a secured party to liability in contract or tort for the debtor's acts or omissions.

§ 9-403. AGREEMENT NOT TO ASSERT DEFENSES AGAINST ASSIGNEE.

(a) “Value.” In this section, “value” has the meaning provided in Section 3--303. In this section the meaning of “obligor” is not limited to the meaning given it in Section 9-102(a)(59). In this section the term “person entitled to enforce the instrument” means (i) the holder of the instrument, (ii) a nonholder in possession of the instrument who has the rights of a holder, or

(iii) a person not in possession of the instrument who is entitled to enforce the instrument pursuant to Article 3 of this chapter. A person may be a person entitled to enforce the instrument even though the person is not the owner of the instrument or is in wrongful possession of the instrument.

(b) Agreement not to assert claim or defense. Except as otherwise provided in this section, an agreement between an account debtor and an assignor not to assert against an assignee any claim or defense that the account debtor may have against the assignor is enforceable by an assignee that takes an assignment:

(1) for value;

(2) in good faith;

(3) without notice of a claim of a property or possessory right to the property assigned; and

(4) without notice of:

(A) a defense of the obligor based on (i) infancy of the obligor to the extent it is a defense to a simple contract, (ii) duress, lack of legal capacity, or illegality of the transaction which, under other law, nullifies the obligation of the obligor, (iii) fraud that induced the obligor to sign the instrument with neither knowledge nor reasonable opportunity to learn of its character or its essential terms, or (iv) discharge of the obligor in solving proceedings;

(B) a defense of the obligor stated anywhere in Article 3 of this chapter or a defense of the obligor that would be available if the person entitled to enforce the instrument were enforcing a right to payment under a simple contract; and

(C) a claim in recoupment of the obligor against the assignor if the claim arose from the transaction that gave rise to the assigned obligation, but the claim of the obligor may be asserted against an assignee only to reduce the amount owing on the assigned obligation at the time the action is brought.

(c) When subsection (b) not applicable. An assignee takes subject to the defenses listed in paragraph (b)(4)(A), but is not subject to defenses of the obligor stated in paragraph (b)(4)(B) or claims in recoupment stated in paragraph (b)(4)(C) against a person other than the enforcing assignee.

(d) Omission of required statement in consumer transaction. In a consumer transaction, if a record evidences the account debtor's obligation, law other than this article requires that the record include a statement to the effect that the rights of an assignee are subject to claims or defenses that the account debtor could assert against the original obligee, and the record does not include such a statement:

(1) the record has the same effect as if the record included such a statement; and

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

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

(f) Other law not displaced. Except as otherwise provided in subsection (d), this section does not displace law other than this article which gives effect to an agreement by an account debtor not to assert a claim or defense against an assignee.

§ 9-404. RIGHTS ACQUIRED BY ASSIGNEE; CLAIMS AND DEFENSES AGAINST ASSIGNEE.

(a) Assignee's rights subject to terms, claims, and defenses; exceptions. Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsections (b) through (e), the rights of an assignee are subject to:

(1) all terms of the agreement between the account debtor and assignor and any defense or claim in recoupment arising from the transaction that gave rise to the contract; and

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

(b) Account debtor's claim reduces amount owed to assignee. Subject to subsection (c) and except as otherwise provided in subsection (d), the claim of an account debtor against an assignor may be asserted against an assignee under subsection (a) only to reduce the amount the account debtor owes.

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

(d) Omission of required statement in consumer transaction. In a consumer transaction, if a record evidences the account debtor's obligation, law other than this article requires that the record include a statement to the effect that the account debtor's recovery against an assignee with respect to claims and defenses against the assignor may not exceed amounts paid by the account debtor under the record, and the record does not include such a statement, the extent to which a claim of an account debtor against the assignor may be asserted against an assignee is determined as if the record included such a statement.

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

§ 9-405. MODIFICATION OF ASSIGNED CONTRACT.

(a) Effect of modification on assignee. A modification of or substitution for an assigned contract is effective against an assignee if made in good faith. The assignee acquires corresponding rights under the modified or substituted contract. The assignment may provide that the modification or substitution is a breach of contract by the assignor. This subsection is subject to subsections (b) through (d).

(b) Applicability of subsection (a). Subsection (a) applies to the extent that:

(1) the right to payment or a part thereof under an assigned contract has not been fully earned by performance; or

(2) the right to payment or a part thereof has been fully earned by performance and the account debtor has not received notification of the assignment under Section 9-406(a).

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

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

§ 9-406. DISCHARGE OF ACCOUNT DEBTOR; NOTIFICATION OF ASSIGNMENT; IDENTIFICATION AND PROOF OF ASSIGNMENT; RESTRICTIONS ON ASSIGNMENT OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, AND PROMISSORY NOTES INEFFECTIVE.

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

(b) When notification ineffective. Subject to subsections (g) and (i), notification is ineffective under subsection (a):

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

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

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

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

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

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

(c) Proof of assignment. Subject to subsections (g) and (i), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (a).

(d) Term restricting assignment generally ineffective. For purposes of this subsection, “promissory note” includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in subsection (e) and Sections 2-A-303 and 9-407, and subject to subsection (g), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

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

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

(e) Inapplicability of subsection (d) to certain sales. Subsection (d) does not apply to the sale of a payment intangible or promissory note.

(f) Subsection (b)(3) not waivable. Subject to subsections (g) and (i), an account debtor may not waive or vary its option under subsection (b)(3).

(g) Rule for individual under other law. This section is subject to a rule of law, statute, rule or regulation other than this article which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(h) Inapplicability. This section does not apply to:

(1) an assignment of a health care insurance receivable to the extent such assignment conflicts with other law or the parties have otherwise agreed in writing that such receivable is non-assignable,

(2) a claim or right to receive compensation for injuries or sickness as described in 26 U.S.C. § 104(a)(1) and (2), as amended from time to time, or

(3) a claim or right to receive benefits under a special needs trust as described in 42 U.S.C. § 1396p (d)(4), as amended from time to time.

(i) Inapplicability of certain subsections. Subsections (a), (b), (c) and (f) do not apply to a controllable account or controllable payment intangible.

§ 9-407. RESTRICTIONS ON CREATION OR ENFORCEMENT OF SECURITY INTEREST IN LEASEHOLD INTEREST OR IN LESSOR'S RESIDUAL INTEREST.

(a) Term restricting assignment generally ineffective. Except as otherwise provided in subsection (b), a term in a lease agreement is ineffective to the extent that it:

(1) prohibits, restricts, or requires the consent of a party to the lease to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, an interest of a party under the lease contract or in the lessor's residual interest in the goods; or

(2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the lease.

(b) Effectiveness of certain terms. Except as otherwise provided in Section 2-A-303(7), a term described in subsection (a)(2) is effective to the extent that there is:

(1) a transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term; or

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

(c) Security interest not material impairment. The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty of or materially increases the burden or risk imposed on the lessee within the purview of Section 2-A-303(4) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

§ 9-408. RESTRICTIONS ON ASSIGNMENT OF PROMISSORY NOTES, HEALTH-CARE-INSURANCE RECEIVABLES, AND CERTAIN GENERAL INTANGIBLES INEFFECTIVE.

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

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

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

(b) Applicability of subsection (a) to sales of certain rights to payment. Subsection (a) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note.

(c) Limitation on ineffectiveness under subsection (a). To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or general intangible would be effective under law other than this article but is ineffective under subsection (a), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

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

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

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

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

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

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

(d) Inapplicability. This section does not apply to:

(1) a claim or right to receive compensation for injuries or sickness as described in 26 U.S.C. § 104(a)(1) and (2), as amended from time to time, or

(2) a claim or right to receive benefits under a special needs trust as described in 42 U.S.C. § 1396p (d)(4), as amended from time to time.

(e) “Promissory note”. In this section, “promissory note” includes a negotiable instrument that evidences chattel paper.

§ 9-409. RESTRICTIONS ON ASSIGNMENT OF LETTER-OF-CREDIT RIGHTS INEFFECTIVE.

(a) Term or law restricting assignment generally ineffective. A term in a letter-of-credit or a rule of law, statute, regulation, custom, or practice applicable to the letter of credit which prohibits, restricts, or requires the consent of an applicant, issuer, or nominated person to a beneficiary's assignment of or creation of a security interest in a letter-of-credit right is ineffective to the extent that the term or rule of law, statute, regulation, custom, or practice:

(1) would impair the creation, attachment, or perfection of a security interest in the letter-of-credit right; or

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

(b) Limitation on ineffectiveness under subsection (a). To the extent that a term in a letter-of-credit is ineffective under subsection (a) but would be effective under law other than this article or a custom or practice applicable to the letter-of-credit, to the transfer of a right to draw or otherwise demand performance under the letter-of-credit, or to the assignment of a right to proceeds of the letter-of-credit, the creation, attachment, or perfection of a security interest in the letter-of-credit right:

(1) is not enforceable against the applicant, issuer, nominated person, or transferee beneficiary;

(2) imposes no duties or obligations on the applicant, issuer, nominated person, or transferee beneficiary; and

(3) does not require the applicant, issuer, nominated person, or transferee beneficiary to recognize the security interest, pay or render performance to the secured party, or accept payment or other performance from the secured party.

PART 5: FILING

SUBPART 1: FILING OFFICE; CONTENTS AND EFFECTIVENESS OF FINANCING STATEMENT

§ 9-501. FILING OFFICE.

(a) Filing offices. Except as otherwise provided in subsection (b), if the law of this state governs perfection of a security interest or agricultural lien, the office in which to file a financing statement to perfect the security interest or agricultural lien is:

(1) the office designated for the filing or recording of a record of a mortgage on the related real property, if:

(A) the collateral is as-extracted collateral or timber to be cut; or

(B) the financing statement is filed as a fixture filing and the collateral is goods that are or are to become fixtures; or

(C) the collateral is a cooperative interest; or

(2) the office of the secretary of state, in all other cases, including a case in which the collateral is goods that are or are to become fixtures and the financing statement is not filed as a fixture filing.

(b) Filing office for transmitting utilities. The office in which to file a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is the office of the secretary of state. The financing statement also constitutes a fixture filing as to the collateral indicated in the financing statement which is or is to become fixtures.

(c) The term “filing officer” or “recording officer” means the county clerk of the county, except in the counties of Bronx, Kings, New York, and Queens where it means the city register in the county; and the term “filing officer” includes the secretary of state where a filing is made in the department of state.

§ 9-502. CONTENTS OF FINANCING STATEMENT; RECORD OF MORTGAGE AS FINANCING STATEMENT; TIME OF FILING FINANCING STATEMENT; CONTENTS OF COOPERATIVE ADDENDUM.

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

(1) provides the name of the debtor;

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

(3) indicates the collateral covered by the financing statement; and

(4) in the case of a cooperative interest, indicates the number or other designation and the street address of the cooperative unit.

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

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

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

(3) provide a description of the real property to which the collateral is related, including the location of the real estate by reference to a book and page number in a deed or mortgage index maintained in the county clerk's office in the county where the property is situate or by street and number and town or city, or, if the real estate is in the city of

New York, by county, except that if the real estate is in the city of New York or counties of Nassau or Onondaga, where the block system of recording or registering and indexing conveyances is in use, the statement must also specify the block and lot number in which the real estate is situated; and

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

(c) Record of mortgage as financing statement. A record of a mortgage is effective, from the date of recording, as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut only if:

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

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

(3) the record satisfies the requirements for a financing statement in this section, but:

(A) the record need not indicate that it is to be filed in the real property records; and

(B) the record sufficiently provides the name of a debtor who is an individual if it provides the individual name of the debtor or the surname and first personal name of the debtor, even if the debtor is an individual to whom Section 9-503(a)(4) applies; and

(4) the record is duly recorded.

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

(e) Contents of cooperative addendum. A cooperative addendum is sufficient only if it satisfies subsection (a) and also:

(1) if not filed simultaneously with the initial financing statement, identifies, by its file number, the initial financing statement to which the addendum relates;

(2) indicates the street address of the cooperative unit;

(3) indicates the county in which the cooperative unit is located;

(4) indicates the city, town, or village in which the cooperative unit is located;

(5) indicates the real property tax designation associated with the real property in which the cooperative unit is located as assigned by the local real property tax assessing authority; and

(6) indicates the name of the cooperative organization.

§ 9-503. NAME OF DEBTOR AND SECURED PARTY.

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

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

(2) subject to subsection (f), if the collateral is being administered by the personal representative of a decedent, only if the financing statement provides, as the name of the debtor, the name of the decedent and, in a separate part of the financing statement, indicates that the collateral is being administered by a personal representative;

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

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

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

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

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

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

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

(4) subject to subsection (g), if the debtor is an individual to whom this State has issued a driver's license or non-driver photo identification card that has not expired, only if the financing statement provides the name of the individual which is indicated on the driver's license or non-driver photo identification card;

(5) if the debtor is an individual to whom paragraph (4) does not apply, only if the financing statement provides the individual name of the debtor or the surname and first personal name of the debtor; and

(6) in other cases:

(A) if the debtor has a name, only if the financing statement provides the organizational name of the debtor; and

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

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

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

(2) unless required under subsection (a)(6)(B), names of partners, members, associates, or other persons comprising the debtor.

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

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

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

(f) Name of decedent. The name of the decedent indicated on the order appointing the personal representative of the decedent issued by the court having jurisdiction over the collateral is sufficient as the “name of the decedent” under subsection (a)(2).

(g) Multiple driver's licenses. If this State has issued to an individual more than one driver's license or non-driver photo identification card of a kind described in subsection (a)(4), the one that was issued most recently is the one to which subsection (a)(4) refers.

(h) Definition. In this section, the “name of the settlor or testator” means:

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

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

§ 9-504. INDICATION OF COLLATERAL.

A financing statement sufficiently indicates the collateral that it covers if the financing statement provides:

(1) a description of the collateral pursuant to Section 9-108; or

(2) an indication that the financing statement covers all assets or all personal property.

§ 9-505. FILING AND COMPLIANCE WITH OTHER STATUTES AND TREATIES FOR CONSIGNMENTS, LEASES, OTHER BAILMENTS, AND OTHER TRANSACTIONS.

(a) Use of terms other than “debtor” and “secured party.” A consignor, lessor, or other bailor of goods, a licensor, or a buyer of a payment intangible or promissory note may file a financing statement, or may comply with a statute or treaty described in Section 9-311(a), using the terms “consignor”, “consignee”, “lessor”, “lessee”, “bailor”, “bailee”, “licensor”, “licensee”, “owner”, “registered owner”, “buyer”, “seller”, or words of similar import, instead of the terms “secured party” and “debtor”.

(b) Effect of financing statement under subsection (a). This part applies to the filing of a financing statement under subsection (a) and, as appropriate, to compliance that is equivalent to filing a financing statement under Section 9-311(b), but the filing or compliance is not of itself a factor in determining whether the collateral secures an obligation. If it is determined for another reason that the collateral secures an obligation, a security interest held by the consignor, lessor, bailor, licensor, owner, or buyer which attaches to the collateral is perfected by the filing or compliance.

§ 9-506. EFFECT OF ERRORS OR OMISSIONS.

(a) Minor errors and omissions. A financing statement substantially satisfying the requirements of this part is effective, even if it has minor errors or omissions, unless the errors or omissions make the financing statement seriously misleading.

(b) Financing statement seriously misleading. Except as otherwise provided in subsection (c), a financing statement that fails sufficiently to provide the name of the debtor in accordance with Section 9-503(a) is seriously misleading.

(c) Financing statement not seriously misleading. If a search of the records of the filing office under the debtor's correct name, using the filing office's standard search logic, if any, would disclose a financing statement that fails sufficiently to provide the name of the debtor in accordance with Section 9-503(a), the name provided does not make the financing statement seriously misleading.

(d) “Debtor's correct name.” For purposes of Section 9-508(b), the “debtor's correct name” in subsection (c) means the correct name of the new debtor.

§ 9-507. EFFECT OF CERTAIN EVENTS ON EFFECTIVENESS OF FINANCING STATEMENT.

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

(b) Information becoming seriously misleading. Except as otherwise provided in subsection (c) and Section 9-508, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading under Section 9-506.

(c) Change in debtor's name. If the name that a filed financing statement provides for a debtor becomes insufficient as the name of the debtor under Section 9-503(a) so that the financing statement becomes seriously misleading under Section 9-506:

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

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

§ 9-508. EFFECTIVENESS OF FINANCING STATEMENT IF NEW DEBTOR BECOMES BOUND BY SECURITY AGREEMENT.

(a) Financing statement naming original debtor. Except as otherwise provided in this section, a filed financing statement naming an original debtor is effective to perfect a security interest in collateral in which a new debtor has or acquires rights to the extent that the financing statement would have been effective had the original debtor acquired rights in the collateral.

(b) Financing statement becoming seriously misleading. If the difference between the name of the original debtor and that of the new debtor causes a filed financing statement that is effective under subsection (a) to be seriously misleading under Section 9-506:

(1) the financing statement is effective to perfect a security interest in collateral acquired by the new debtor before, and within four months after, the new debtor becomes bound under Section 9-203(d); and

(2) the financing statement is not effective to perfect a security interest in collateral acquired by the new debtor more than four months after the new debtor becomes bound under Section 9-203(d) unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

(c) When section not applicable. This section does not apply to collateral as to which a filed financing statement remains effective against the new debtor under Section 9-507(a).

§ 9-509. PERSONS ENTITLED TO FILE A RECORD.

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

(1) the debtor authorizes the filing in a signed record or pursuant to subsection (b) or (c); or a security agreement as authorization.

[Editor's note: The final words "a security agreement as authorization." appear both in § 75 of A.3307-A, enacted as Chapter 579 of the Laws of 2025, and in the official consolidated text. They are reproduced here as published. Their placement appears anomalous and resembles the caption of subsection (b); this is not established to be merely an online consolidation error. This note does not resolve the legal effect of the wording.]

(2) the person holds an agricultural lien that has become effective at the time of filing and the financing statement covers only collateral in which the person holds an agricultural lien.

(b) Security agreement as authorization. By signing or becoming bound as debtor by a security agreement, a debtor or new debtor authorizes the filing of an initial financing statement, and an amendment, covering:

(1) the collateral described in the security agreement; and

(2) property that becomes collateral under Section 9-315(a)(2), whether or not the security agreement expressly covers proceeds.

(c) Acquisition of collateral as authorization. By acquiring collateral in which a security interest or agricultural lien continues under Section 9-315(a)(1), a debtor authorizes the filing of an initial financing statement, and an amendment, covering the collateral and property that becomes collateral under Section 9-315(a)(2).

(d) Person entitled to file certain amendments. A person may file an amendment other than an amendment that adds collateral covered by a financing statement or an amendment that adds a debtor to a financing statement only if:

(1) the secured party of record authorizes the filing; or

(2) the amendment is a termination statement for a financing statement as to which the secured party of record has failed to file or send a termination statement as required by Section 9-513(a) or (c), the debtor authorizes the filing, and the termination statement indicates that the debtor authorized it to be filed.

(e) Multiple secured parties of record. If there is more than one secured party of record for a financing statement, each secured party of record may authorize the filing of an amendment under subsection (d).

§ 9-510. EFFECTIVENESS OF FILED RECORD.

(a) Filed record effective if authorized. A filed record is effective only to the extent that it was filed by a person that may file it under Section 9-509.

(b) Authorization by one secured party of record. A record authorized by one secured party of record does not affect the financing statement with respect to another secured party of record.

(c) Continuation statement not timely filed. A continuation statement that is not filed within the six-month period prescribed by Section 9-515(d) is ineffective.

§ 9-511. SECURED PARTY OF RECORD.

(a) Secured party of record. A secured party of record with respect to a financing statement is a person whose name is provided as the name of the secured party or a representative of the secured party in an initial financing statement that has been filed. If an initial financing statement is filed under Section 9-514(a), the assignee named in the initial financing statement is the secured party of record with respect to the financing statement.

(b) Amendment naming secured party of record. If an amendment of a financing statement which provides the name of a person as a secured party or a representative of a secured party is filed, the person named in the amendment is a secured party of record. If an amendment is filed under Section 9-514(b), the assignee named in the amendment is a secured party of record.

(c) Amendment deleting secured party of record. A person remains a secured party of record until the filing of an amendment of the financing statement which deletes the person.

§ 9-512. AMENDMENT OF FINANCING STATEMENT.

(a) Amendment of information in financing statement. Subject to Section 9-509, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or, subject to subsection (e), otherwise amend the information provided in, a financing statement by filing an amendment that:

(1) identifies, by its file number, the initial financing statement to which the amendment relates; and

(2) if the amendment relates to an initial financing statement filed in a filing office described in Section 9-501(a)(1), provides the date and time that the initial financing statement was filed and the information specified in Section 9-502(b).

(b) Period of effectiveness not affected. Except as otherwise provided in Section 9-515, the filing of an amendment does not extend the period of effectiveness of the financing statement.

(c) Effectiveness of amendment adding collateral. A financing statement that is amended by an amendment that adds collateral is effective as to the added collateral only from the date of the filing of the amendment.

(d) Effectiveness of amendment adding debtor. A financing statement that is amended by an amendment that adds a debtor is effective as to the added debtor only from the date of the filing of the amendment.

(e) Certain amendments ineffective. An amendment is ineffective to the extent it:

(1) purports to delete all debtors and fails to provide the name of a debtor to be covered by the financing statement; or

(2) purports to delete all secured parties of record and fails to provide the name of a new secured party of record.

§ 9-513. TERMINATION STATEMENT.

(a) Consumer goods. A secured party shall cause the secured party of record for a financing statement to file a termination statement for the financing statement if the financing statement covers consumer goods and:

(1) there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value; or

(2) the debtor did not authorize the filing of the initial financing statement.

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

(1) within one month after there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value; or

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

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

(1) except in the case of a financing statement covering accounts or chattel paper that has been sold or goods that are the subject of a consignment, there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value;

(2) the financing statement covers accounts or chattel paper that has been sold but as to which the account debtor or other person obligated has discharged its obligation;

(3) the financing statement covers goods that were the subject of a consignment to the debtor but are not in the debtor's possession; or

(4) the debtor did not authorize the filing of the initial financing statement.

(d) Effect of filing termination statement. Except as otherwise provided in Section 9-510, upon the filing of a termination statement with the filing office, the financing statement to which the termination statement relates ceases to be effective. Except as otherwise provided in Section 9-510, for purposes of Section 9-519(g), 9-522(a), and 9-523(c), the filing with the filing office of a termination statement relating to a financing statement that indicates that the debtor is a transmitting utility also causes the effectiveness of the financing statement to lapse.

(e) Cooperative Interests.

(1) “Cooperative Interest Settlement” means the time and place at which an owner of a cooperative interest transfers the cooperative interest, or refinances or pays off the debt secured by the cooperative interest.

(2) Upon an authenticated demand with sufficient notice by a debtor, the secured party shall deliver to a cooperative interest settlement a termination statement or partial release and any component of the cooperative record of which it took possession, which shall be released to the debtor upon payment of the debt secured by the cooperative interest and the discharge of any obligation of the secured party to make further advances. Unless the secured party has agreed otherwise or the cooperative interest settlement takes place at the offices of the secured party, the secured party or its agent shall be entitled to a reasonable fee for attendance at the cooperative interest settlement.

(3) Upon payment of the debt secured by a cooperative interest other than at a cooperative interest settlement and the discharge of any obligation of the secured party to make further advances, the secured party shall arrange for a termination statement or partial release to be filed within one month of receipt of the payment or discharge of the obligation to make further advances, whichever is later, and shall send to the debtor any component of the cooperative record of which it took possession.

§ 9-514. ASSIGNMENT OF POWERS OF SECURED PARTY OF RECORD.

(a) Assignment reflected on initial financing statement. Except as otherwise provided in subsection (c), an initial financing statement may reflect an assignment of all of the secured party's power to authorize an amendment to the financing statement by providing the name and mailing address of the assignee as the name and address of the secured party.

(b) Assignment of filed financing statement. Except as otherwise provided in subsection (c), a secured party of record may assign of record all or part of its power to authorize an amendment to a financing statement by filing in the filing office an amendment of the financing statement which:

(1) identifies, by its file number, the initial financing statement to which it relates;

(2) provides the name of the assignor; and

(3) provides the name and mailing address of the assignee.

(c) Assignment of record of mortgage. An assignment of record of a security interest in a fixture covered by a record of a mortgage which is effective as a financing statement filed as a fixture filing under Section 9-502(c) may be made only by an assignment of record of the mortgage in the manner provided by law of this state other than this chapter.

§ 9-515. DURATION AND EFFECTIVENESS OF FINANCING STATEMENT; EFFECT OF LAPSED FINANCING STATEMENT.

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

(b) Public-financed or manufactured-home transaction. Except as otherwise provided in subsections (e), (f), (g), and (h), an initial financing statement filed in connection with a public-financed transaction or manufactured-home transaction is effective for a period of 30 years after the date of filing if it indicates that it is filed in connection with a public-financed transaction or manufactured-home transaction.

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

(d) When continuation statement may be filed. A continuation statement may be filed only within six months before the expiration of the five-year period specified in subsection (a) or the thirty-year period specified in subsection (b) or the fifty-year period specified in subsection (h), whichever is applicable.

(e) Effect of filing continuation statement. Except as otherwise provided in Section 9-510, upon timely filing of a continuation statement, the effectiveness of the initial financing statement continues for a period of five years commencing on the day on which the financing statement would have become ineffective in the absence of the filing. Upon the expiration of the five-year period, the financing statement lapses in the same manner as provided in subsection (c), unless, before the lapse, another continuation statement is filed pursuant to subsection (d). Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the initial financing statement.

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

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

(h) Cooperative interest transaction. An initial financing statement covering a cooperative interest is effective for a period of 50 years after the date of the filing of the initial financing statement if a cooperative addendum is filed simultaneously with the initial financing statement or is filed before the financing statement lapses.

§ 9-516. WHAT CONSTITUTES FILING; EFFECTIVENESS OF FILING.

(a) What constitutes filing. Except as otherwise provided in subsection (b), communication of a record to a filing office and tender of the filing fee or acceptance of the record by the filing office constitutes filing.

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

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

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

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

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

(B) in the case of an amendment or correction statement, the record:

(i) does not identify the initial financing statement as required by Section 9-512 or 9-518, as applicable; or

(ii) identifies an initial financing statement whose effectiveness has lapsed under Section 9-515;

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

(D) in the case of a record filed in the filing office described in Section 9-501 (a) (1), the record does not provide a sufficient description of the real property to which it relates;

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

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

(A) provide a mailing address for the debtor; or

(B) indicate whether the debtor is an individual or an organization;

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

(i) a type of organization for the debtor, or

(ii) a jurisdiction of organization for the debtor; or

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

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

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

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

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

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

(e) Special rule for cooperative interests; record effective as notice. A filing that includes a cooperative addendum covering a cooperative interest constitutes notice of the existence of the security interest in the cooperative interest as of the date of the filing of the cooperative addendum, except as against a purchaser of the collateral which gives value in reasonable reliance upon the absence of the record from the files.

§ 9-517. EFFECT OF INDEXING ERRORS.

The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

§ 9-518. CLAIM CONCERNING INACCURATE OR WRONGFULLY FILED RECORD.

(a) Correction statement. A person may file in the filing office a correction statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed.

(b) Sufficiency of correction statement. A correction statement must:

(1) identify the record to which it relates by:

(A) the file number assigned to the initial financing statement to which the record relates; and

(B) if the correction statement relates to a record filed in a filing office described in Section 9-501(a)(1), the date and time that the initial financing statement was filed and the information specified in Section 9-502(b);

(2) indicate that it is a correction statement; and

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

(c) Record not affected by correction statement. The filing of a correction statement does not affect the effectiveness of an initial financing statement or other filed record.

(d) Special proceeding to redact or expunge a falsely filed or amended financing statement. (1) Provided he or she is an employee of the state or a political subdivision thereof, a person identified as a debtor in a financing statement filed pursuant to this subpart may bring a special proceeding against the named filer of such statement or any amendment thereof to invalidate the filing or amendment thereof where such statement was falsely filed or amended; except that an attorney who is not an employee of the state or a political subdivision thereof may also bring a special proceeding hereunder where he or she represents or has represented the respondent therein in a criminal court. Such special proceeding shall be governed by article four of the civil practice law and rules, and shall be commenced in the supreme court of Albany county, the county of the petitioner's residence or a county within the judicial district in which any property covered by the financing statement is located. No fee pursuant to article eighty of the civil practice law and rules shall be collected in such special proceeding.

(2) The petition in a special proceeding hereunder shall plead that:

(A) the financing statement filed or amended by the respondent pursuant to section 9-509 was falsely filed or amended to retaliate for: (i) the performance of the petitioner's official duties in his or her capacity as an employee of the state or a political subdivision thereof, or (ii) in the case of a special proceeding brought by an attorney who is not an employee of the state or a political subdivision thereof, to retaliate for the performance of the petitioner's duties in his or her capacity as an attorney for the respondent in a criminal court; and

(B) such financing statement does not relate to an interest in a consumer-goods transaction, a commercial transaction, or any other actual transaction between the petitioner and the respondent; and

(C) the collateral covered in such financing statement is the property of the petitioner; and

(D) prompt redaction or invalidation of the financing statement is necessary to avert or mitigate prejudice to the petitioner.

(3) If the court makes a written finding that the allegations in paragraph two of this subsection are established, the court shall order the expungement of such statement or its redaction in the public records in the office in which the financing statement is filed, as appropriate, and may grant any additional relief authorized by section 9-625. In such case, the court shall cause a copy of its order to be filed with the secretary of state or other appropriate filing office pursuant to this chapter. Upon a finding that the respondent has engaged in a repeated pattern of false filings as found under this subsection, the court also may enjoin the respondent from filing or amending any further financing statement pursuant to this article without leave of the court. If the respondent is incarcerated at the time the court issues an order containing such an injunction, the court shall cause the head of the correctional facility in which the respondent is incarcerated to receive a copy of such determination. The head of such a facility shall cause a copy of such order to be provided to the respondent. In any instances of the issuance of such

an injunction where the respondent has defaulted, the court shall direct service of such injunction upon the respondent.

SUBPART 2: DUTIES AND OPERATION OF FILING OFFICE

§ 9-519. NUMBERING, MAINTAINING, AND INDEXING RECORDS; COMMUNICATING INFORMATION PROVIDED IN RECORDS.

(a) Filing office duties. For each record filed in a filing office, the filing office shall:

(1) assign a unique number to the filed record;

(2) create a record that bears the number assigned to the filed record and the date and time of filing;

(3) maintain the filed record for public inspection; and

(4) index the filed record in accordance with subsections (c), (d), and (e).

(b) File number. A file number must include a digit that:

(1) is mathematically derived from or related to the other digits of the file number; and

(2) aids the filing office in determining whether a number communicated as the file number includes a single-digit or transpositional error.

(c) Indexing: general. Except as otherwise provided in subsections (d) and (e), the filing office shall:

(1) index an initial financing statement according to the name of the debtor and index all filed records relating to the initial financing statement in a manner that associates with one another an initial financing statement and all filed records relating to the initial financing statement; and

(2) index a record that provides a name of a debtor which was not previously provided in the financing statement to which the record relates also according to the name that was not previously provided.

(d) Indexing: real-property-related financing statement. If a financing statement is filed as a fixture filing or covers as-extracted collateral, or timber to be cut, or a cooperative interest, the filing office shall index it:

(1) under the names of the debtor and of each owner of record shown on the financing statement as if they were the mortgagors under a mortgage of the real property described; and

(2) to the extent that the law of this state provides for indexing of records of mortgages under the name of the mortgagee, under the name of the secured party as if the secured party were the mortgagee thereunder, and;

(3) if the real estate is in the City of New York or in Nassau, Onondaga, or any other county where the block system of recording or registering and indexing conveyances is in use, according to the block in which the real estate is situated; the filing officer may index such statements according to the names of the record owners of the real estate in a single consolidated index installed and maintained by him pursuant to section five hundred twenty-nine of the county law.

(e) Indexing: real-property-related assignment. If a financing statement is filed as a fixture filing or covers as-extracted collateral, timber to be cut or a cooperative interest, the filing office shall index an assignment filed under Section 9-514(a) or an amendment filed under Section 9-514(b):

(1) under the name of the assignor as grantor; and

(2) to the extent that the law of this state provides for indexing a record of the assignment of a mortgage under the name of the assignee, under the name of the assignee; and

(3) if the real estate is in the City of New York or in Nassau, Onondaga, or any other county where the block system of recording or registering and indexing conveyances is in use, according to the block in which the real estate is situated; the filing officer may index such assignments according to the names of the record owners of the real estate in a single consolidated index installed and maintained by him pursuant to section five hundred twenty-nine of the county law.

(f) Retrieval and association capability. The filing office shall maintain a capability:

(1) to retrieve a record by the name of the debtor and:

(A) if the filing office is described in Section 9-501(a)(1), by the file number assigned to the initial financing statement to which the record relates and the date and time that the record was filed or recorded; or

(B) if the filing office is described in Section 9-501(a)(2), by the file number assigned to the initial financing statement to which the record relates; and

(2) to associate and retrieve with one another an initial financing statement and each filed record relating to the initial financing statement; and

(3) if the real estate is in the City of New York or in Nassau, Onondaga, or any other county where the block system of recording or registering and indexing conveyances is in use, to retrieve a record according to the block in which the real estate is situated.

(g) Removal of debtor's name. The filing office may not remove a debtor's name from the index until one year after the effectiveness of a financing statement naming the debtor lapses under Section 9-515 with respect to all secured parties of record.

(h) Timeliness of filing office performance. The filing office shall perform the acts required by subsections (a) through (e) at the time and in the manner prescribed by filing-office rule, but not later than two business days after the filing office receives the record in question.

(i) Inapplicability to real-property-related filing office. Subsections (b) and (h) do not apply to a filing office described in Section 9-501(a)(1).

§ 9-520. ACCEPTANCE AND REFUSAL TO ACCEPT RECORD.

(a) Mandatory refusal to accept record. A filing office shall refuse to accept a record for filing for a reason set forth in Section 9-516(b) and may refuse to accept a record for filing only for a reason set forth in Section 9-516(b).

(b) Communication concerning refusal. If a filing office refuses to accept a record for filing, it shall communicate to the person that presented the record the fact of and reason for the refusal and the date and time the record would have been filed had the filing office accepted it. The communication must be made at the time and in the manner prescribed by filing-office rule but, in the case of a filing office described in Section 9-501(a)(2), in no event more than two business days after the filing office receives the record.

(c) When filed financing statement effective. A filed financing statement satisfying Section 9-502(a) and (b)is effective, even if the filing office is required to refuse to accept it for filing under subsection (a). However, Section 9-338 applies to a filed financing statement providing information described in Section 9-516(b)(5)which is incorrect at the time the financing statement is filed.

§ 9-521. UNIFORM FORM OF WRITTEN FINANCING STATEMENT; AMENDMENT; AND COOPERATIVE ADDENDUM.

(a) Initial financing statement form. A filing office that accepts written records may not refuse to accept a written initial financing statement in the form promulgated by the department of state except for a reason as set forth in Section 9-516(b).

(b) Amendment form. A filing office that accepts written records may not refuse to accept a written financing statement amendment in the form promulgated by the department of state except for a reason as set forth in Section 9-516(b).

(c) Cooperative addendum form. A filing office that accepts written records may not refuse to accept a written cooperative addendum in the form promulgated by the department of state except for a reason as set forth in Section 9-516(b).

§ 9-522. MAINTENANCE AND DESTRUCTION OF RECORDS.

(a) Post-lapse maintenance and retrieval of information. The filing office shall maintain a record of the information provided in a filed financing statement for at least one year after the effectiveness of the financing statement has lapsed under Section 9-515 with respect to all secured parties of record. The record must be retrievable by using the name of the debtor and:

(1) if the record was filed in the filing office described in Section 9-501(a)(1), by using:

(A) the file number assigned to the initial financing statement to which the record relates and the date and time that the record was filed; and

(B) in the case of collateral which is a cooperative interest, the real property tax designation associated with the real property in which the cooperative unit is located as assigned by the local real property tax assessing authority; or

(2) if the record was filed in the filing office described in Section 9-501(a)(2), by using the file number assigned to the initial financing statement to which the record relates.

(b) Destruction of written records. Except to the extent that a statute governing disposition of public records provides otherwise, the filing office immediately may destroy any written record evidencing a financing statement. However, if the filing office destroys a written record, it shall maintain another record of the financing statement which complies with subsection (a).

§ 9-523. INFORMATION FROM FILING OFFICE; SALE OR LICENSE OF RECORDS.

(a) Acknowledgment of filing written record. If a person that files a written record requests an acknowledgment of the filing, the filing office shall send to the person an image of the record showing the number assigned to the record pursuant to Section 9-519(a)(1) and the date and time of the filing of the record. However, if the person furnishes a copy of the record to the filing office, the filing office may instead:

(1) note upon the copy the number assigned to the record pursuant to Section 9-519 (a)(1) and the date and time of the filing of the record; and

(2) send the copy to the person.

(b) Acknowledgment of filing other record. If a person files a record other than a written record, the filing office shall communicate to the person an acknowledgment that provides:

(1) the information in the record;

(2) the number assigned to the record pursuant to Section 9-519(a)(1); and

(3) the date and time of the filing of the record.

(c) Communication of requested information. The filing office shall communicate or otherwise make available in a record the following information to any person that requests it:

(1) whether there is on file on a date and time specified by the filing office, but not a date earlier than three business days before the filing office receives the request, any financing statement that:

(A) designates a particular debtor or, if the request so states, designates a particular debtor at the address specified in the request;

(B) has not lapsed under Section 9-515 with respect to all secured parties of record; and

(C) if the request so states, has lapsed under Section 9-515 and a record of which is maintained by the filing office under Section 9-522(a);

(D) is filed in the filing office described in Section 9-501(a)(1), if the request indicates the real property tax designation associated with the real property as assigned by the local real property tax assessing authority.

(2) the date and time of filing of each financing statement,

(3) the information provided in each financing statement,

(4) whether there is on file any notice of federal tax lien, or a certificate or notice affecting such lien, on the date and time specified in such record naming a particular debtor; and

(5) the date and time of filing of each such notice or certificate of or affecting a federal tax lien.

(d) Medium for communicating information. In complying with its duty under subsection (c), the filing office may communicate information in any medium. However, if requested, the filing office shall communicate information by issuing its written certificate.

(e) Timeliness of filing office performance. The filing office, except by a filing office described in Section 9-501 (a) (1), shall perform the acts required by subsections (a) through (d) at the time and in the manner prescribed by filing-office rule, but not later than two business days after the filing office receives the request.

(f) Public availability of records. At least weekly, the secretary of state shall offer to sell or license to the public on a nonexclusive basis, in bulk, copies of all records filed in it under this part, in every medium from time to time available to the filing office.

§ 9-524. DELAY BY FILING OFFICE.

Delay by the filing office beyond a time limit prescribed by this part is excused if:

(a) the delay is caused by interruption of communication or computer facilities, war, emergency conditions, failure of equipment, or other circumstances beyond control of the filing office; and

(b) the filing office exercises reasonable diligence under the circumstances.

§ 9-525. FEES.

Fees for filing and services under this chapter shall be determined in accordance with section ninety-six-a of the executive law.

§ 9-526. FILING-OFFICE RULES.

(a) Adoption of filing-office rules. The secretary of state shall adopt and publish rules to implement this article. The filing-office rules must be consistent with this article.

(b) Harmonization of rules. To keep the filing-office rules and practices of the filing office in harmony with the rules and practices of filing offices in other jurisdictions that enact substantially this part, and to keep the technology used by the filing office compatible with the technology used by filing offices in other jurisdictions that enact substantially this part, the secretary of state, so far as is consistent with the purposes, policies, and provisions of this article, in adopting, amending, and repealing filing-office rules, shall:

(1) consult with filing offices in other jurisdictions that enact substantially this part; and

(2) consult the most recent version of the Model Rules promulgated by the International Association of Corporate Administrators or any successor organization; and

(3) take into consideration the rules and practices of, and the technology used by, filing offices in other jurisdictions that enact substantially this part.

§ 9-527. DUTY TO REPORT.

The secretary of state shall report to the governor, the temporary president of the senate and the speaker of the assembly on the first day of July, two thousand two, on the first day of July, two thousand three and biennially on the first day of July thereafter, on the operation of the filing office. In addition to a statement on the operation of the filing office, the report shall contain a statement of the extent to which:

(a) the filing office rules are not in harmony with the rules of the filing offices in other jurisdictions that enact substantially this part and the reasons for such variation; and

(b) the filing office rules are not in harmony with the most recent version of the Model Rules promulgated by the International Association of Corporate Administrators, or any successor organization, and the reasons for these variations.

PART 6: DEFAULT

SUBPART 1: DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

§ 9-601. RIGHTS AFTER DEFAULT; JUDICIAL ENFORCEMENT; CONSIGNOR OR BUYER OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES.

(a) Rights of secured party after default. After default, a secured party has the rights provided in this part and, except as otherwise provided in Section 9-602, those provided by agreement of the parties. A secured party:

(1) may reduce a claim to judgment, foreclose, or otherwise enforce the claim, security interest, or agricultural lien by any available judicial procedure; and

(2) if the collateral is documents, may proceed either as to the documents or as to the goods they cover.

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

(c) Rights cumulative; simultaneous exercise. The rights under subsections (a) and (b) are cumulative and may be exercised simultaneously.

(d) Rights of debtor and obligor. Except as otherwise provided in subsection (g) and Section 9-605, after default, a debtor and an obligor have the rights provided in this part and by agreement of the parties.

(e) Lien of levy after judgment. If a secured party has reduced its claim to judgment, the lien of any levy that may be made upon the collateral by virtue of an execution based upon the judgment relates back to the earliest of:

(1) the date of perfection of the security interest or agricultural lien in the collateral;

(2) the date of filing a financing statement covering the collateral; or

(3) any date specified in a statute under which the agricultural lien was created.

(f) Execution sale. A sale pursuant to an execution is a foreclosure of the security interest or agricultural lien by judicial procedure within the meaning of this section. A secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of this article.

(g) Consignor or buyer of certain rights to payment. Except as otherwise provided in Section 9-607(c), this part imposes no duties upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory notes.

§ 9-602. WAIVER AND VARIANCE OF RIGHTS AND DUTIES.

Except as otherwise provided in Section 9-624, to the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary the rules stated in the following listed sections:

(a) Section 9-207 (b) (4) (C), which deals with use and operation of the collateral by the secured party;

(b) Section 9-210, which deals with requests for an accounting and requests concerning a list of collateral and statement of account;

(c) Section 9-607 (c), which deals with collection and enforcement of collateral;

(d) Sections 9-608 (a) and 9-615 (c) to the extent that they deal with application or payment of noncash proceeds of collection, enforcement, or disposition;

(e) Sections 9-608 (a) and 9-615 (d) to the extent that they require accounting for or payment of surplus proceeds of collateral;

(f) Section 9-609 to the extent that it imposes upon a secured party that takes possession of collateral without judicial process the duty to do so without breach of the peace;

(g) Sections 9-610 (b), 9-611, 9-613, and 9-614, which deal with disposition of collateral;

(h) Section 9-615 (f), which deals with calculation of a deficiency or surplus when a disposition is made to the secured party, a person related to the secured party, or a secondary obligor;

(i) Section 9-616, which deals with explanation of the calculation of a surplus or deficiency;

(j) Sections 9-620, 9-621, and 9-622, which deal with acceptance of collateral in satisfaction of obligation;

(k) Section 9-623, which deals with redemption of collateral;

(l) Section 9-624, which deals with permissible waivers; and

(m) Sections 9-625 and 9-626, which deal with the secured party's liability for failure to comply with this article.

§ 9-603. AGREEMENT ON STANDARDS CONCERNING RIGHTS AND DUTIES.

(a) Agreed standards. The parties may determine by agreement the standards measuring the fulfillment of the rights of a debtor or obligor and the duties of a secured party under a rule stated in Section 9-602 if the standards are not manifestly unreasonable.

(b) Agreed standards inapplicable to breach of peace. Subsection (a) does not apply to the duty under Section 9-609 to refrain from breaching the peace.

§ 9-604. PROCEDURE IF SECURITY AGREEMENT COVERS REAL PROPERTY, FIXTURES, OR COOPERATIVE INTERESTS.

(a) Enforcement: personal and real property. If a security agreement covers both personal and real property, a secured party may proceed:

> (1) under this part as to the personal property without prejudicing any rights with respect to the real property; or
>
> (2) as to both the personal property and the real property in accordance with the rights with respect to the real property, in which case the other provisions of this part do not apply.

(b) Enforcement: fixtures. Subject to subsection (c), if a security agreement covers goods that are or become fixtures, a secured party may proceed:

> (1) under this part; or
>
> (2) in accordance with the rights with respect to real property, in which case the other provisions of this part do not apply.

(c) Removal of fixtures. Subject to the other provisions of this part, if a secured party holding a security interest in fixtures has priority over all owners and encumbrancers of the real property, the secured party, after default, may remove the collateral from the real property.

(d) Injury caused by removal. A secured party that removes collateral shall promptly reimburse any encumbrancer or owner of the real property, other than the debtor, for the cost of repair of any physical injury caused by the removal. The secured party need not reimburse the encumbrancer or owner for any diminution in value of the real property caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

(e) Enforcement: cooperative interests. A security interest in a cooperative interest may be enforced only as provided in Section 9-601(a).

§ 9-605. UNKNOWN DEBTOR OR SECONDARY OBLIGOR.

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

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

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

(B) the identity of the person; and

(C) how to communicate with the person; or

(2) to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

(A) that the person is a debtor; and

(B) the identity of the person.

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

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

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

§ 9-606. TIME OF DEFAULT FOR AGRICULTURAL LIEN.

For purposes of this part, a default occurs in connection with an agricultural lien at the time the secured party becomes entitled to enforce the lien in accordance with the statute under which it was created.

§ 9-607. COLLECTION AND ENFORCEMENT BY SECURED PARTY.

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

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

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

(3) may enforce the obligations of an account debtor or other person obligated on collateral and exercise the rights of the debtor with respect to the obligation of the account debtor or other person obligated on collateral to make payment or otherwise render performance to the debtor, and with respect to any property that secures the obligations of the account debtor or other person obligated on the collateral;

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

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

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

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

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

(A) a default has occurred with respect to the obligation secured by the mortgage; and

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

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

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

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

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

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

§ 9-608. APPLICATION OF PROCEEDS OF COLLECTION OR ENFORCEMENT; LIABILITY FOR DEFICIENCY AND RIGHT TO SURPLUS.

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

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

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

(B) the satisfaction of obligations secured by the security interest or agricultural lien under which the collection or enforcement is made; and

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

(2) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder complies, the secured party need not comply with the holder's demand under paragraph (1) (C).

(3) A secured party need not apply or pay over for application noncash proceeds of collection and enforcement under Section 9-607 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(4) A secured party shall account to and pay a debtor for any surplus, and the obligor is liable for any deficiency.

(b) No surplus or deficiency in sales of certain rights to payment. If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any deficiency.

§ 9-609. SECURED PARTY'S RIGHT TO TAKE POSSESSION AFTER DEFAULT.

(a) Possession; rendering equipment unusable; disposition on debtor's premises. After default, a secured party:

(1) may take possession of the collateral; and

(2) without removal, may render equipment unusable and dispose of collateral on a debtor's premises under Section 9-610.

(b) Judicial and nonjudicial process. A secured party may proceed under subsection (a):

(1) pursuant to judicial process; or

(2) without judicial process, if it proceeds without breach of the peace.

(c) Assembly of collateral. If so agreed, and in any event after default, a secured party may require the debtor to assemble the collateral and make it available to the secured party at a place to be designated by the secured party which is reasonably convenient to both parties.

§ 9-610. DISPOSITION OF COLLATERAL AFTER DEFAULT.

(a) Disposition after default. After default, a secured party may sell, lease, license, or otherwise dispose of any or all of the collateral in its present condition or following any commercially reasonable preparation or processing.

(b) Commercially reasonable disposition. Every aspect of a disposition of collateral, including the method, manner, time, place, and other terms, must be commercially reasonable. If commercially reasonable, a secured party may dispose of collateral by public or private proceedings, by one or more contracts, as a unit or in parcels, and at any time and place and on any terms.

(c) Purchase by secured party. A secured party may purchase collateral:

(1) at a public disposition; or

(2) at a private disposition only if the collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations.

(d) Warranties on disposition. A contract for sale, lease, license, or other disposition includes the warranties relating to title, possession, quiet enjoyment, and the like which by operation of law accompany a voluntary disposition of property of the kind subject to the contract.

(e) Disclaimer of warranties. A secured party may disclaim or modify warranties under subsection (d):

(1) in a manner that would be effective to disclaim or modify the warranties in a voluntary disposition of property of the kind subject to the contract of disposition; or

(2) by communicating to the purchaser a record evidencing the contract for disposition and including an express disclaimer or modification of the warranties.

(f) Record sufficient to disclaim warranties. A record is sufficient to disclaim warranties under subsection (e) if it indicates “There is no warranty relating to title, possession, quiet enjoyment, or the like in this disposition” or uses words of similar import.

§ 9-611. NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

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

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

(2) the debtor and any secondary obligor waive the right to notification.

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

(c) Persons to be notified. To comply with subsection (b), the secured party shall send a signed notification of disposition to:

(1) the debtor;

(2) any secondary obligor; and

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

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

(B) any other secured party or lienholder that, 10 days before the notification date, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that:

(i) identified the collateral;

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

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

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

(d) Subsection (b) inapplicable: perishable collateral; recognized market. Subsection (b) does not apply if the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

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

(1) not later than twenty days or earlier than thirty days before the notification date, the secured party requests, in a commercially reasonable manner, information concerning financing statements indexed under the debtor's name in the office indicated in subsection (c) (3) (B); and

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

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

(B) received a response to the request for information and sent a signed notification of disposition to each secured party or other lienholder named in that response whose financing statement covered the collateral.

(f) Additional pre-disposition notice for cooperative interests.

(1) In addition to such other notification as may be required pursuant to subsection (b) of this section and section 9-613 of this article, a secured party whose collateral consists of a residential cooperative interest used by the debtor and whose security interest in such collateral secures an obligation incurred in connection with financing or refinancing of the acquisition of such cooperative interest and who proposes to dispose of such collateral after a default with respect to such obligation, shall send to the debtor, not less than ninety days prior to the date of the disposition of the cooperative interest, an additional pre-disposition notice as provided herein.

(1-a) Notwithstanding any other provision of law, with regard to a reverse cooperative apartment unit loan, at least forty-five days before a secured party, as defined under Section 9-102(a)(73), or its agent takes any steps to dispose of its collateral, as provided for in Section 9-610, the secured party or its agent shall give notice to the borrower, and separate notice to the borrower's designated third-party if one has been designated in at least fourteen-point type except for the heading which shall be in at least sixteen-point type. The notice shall include the following:

YOU COULD LOSE YOUR COOPERATIVE APARTMENT UNIT TO FORECLOSURE.

PLEASE READ THE FOLLOWING NOTICE CAREFULLY.

Date

Borrower's address

Loan Number:

Property Address:

Dear Borrower(s) {or heirs of Debtor?}:

As of __________, your reverse cooperative apartment unit loan is in default. Under New York State Law, we are required to send you this notice to inform you that you may be at risk of losing your home.

Your reverse loan is in default because you have not complied with the following conditions of your loan:

__________ You are not occupying your cooperative apartment unit as your primary residence

__________ You did not submit the required annual certificate of occupancy

__________ The named borrower on the reverse loan has died

__________ You did not pay maintenance on your unit to the cooperative corporation, and {servicer} paid your maintenance for you on the following date(s) in the following amount(s): ____________________

__________ You did not make required repairs to your unit

If the claim is based on your failure to pay maintenance to the cooperative corporation, you can cure this default by making the payment of $____________ for the advances we made towards these payments on your behalf.

You have the right to dispute the claims listed above by contacting us, by calling __________ or sending a letter to __________. This may include proof of payments made for water and sewer charges or a current declaration page from your insurance company, or any other proof to dispute the servicer's claim.

OPTIONS MAY BE AVAILABLE FOR YOU TO CURE YOUR DEFAULT. SOME OF THESE OPTIONS ARE LISTED BELOW. YOU MAY CONTACT {SERVICER} AT {TOLL-FREE NUMBER} TO DISCUSS YOUR OPTIONS.

If you are in default for failure to pay maintenance, you may qualify for a re-payment plan to cure the default balance owed.

Attached to this notice is a list of New York approved housing counseling agencies and legal services in your area which provide free counseling. A statewide listing by county is also available at https://www.dfs.ny.gov/consumers/help_for_homeowners/new_york_state_non-profit_housing_counseling_agencies. You may also call your local Department of Aging for a referral or call 311 if you live in New York City.

Qualified free help is available; watch out for companies or people who charge a fee for these services.

You may also contact {SERVICER} directly at __________ and ask to discuss all possible options to allow you to cure your default and prevent the foreclosure of your home. While we cannot ensure that a resolution is possible, we encourage you to take immediate steps to try to achieve a resolution. The longer you wait, the fewer options you may have.

If you have not taken any actions to resolve this matter within ninety days from the date this notice was mailed, we will have the right to take your cooperative shares from you.

If you need further information, please call the New York State Department of Financial Services' toll-free helpline at 877-226-5697 or visit the Department's website at http://www.dfs.ny.gov.

IMPORTANT: You have the right to remain in your unit until you receive a court order telling you to leave the property. If a foreclosure action is filed against you in court, you still have the right to remain in the unit until a court orders you to leave. You legally remain the owner of your cooperative shares and are responsible for the unit until the shares are transferred to a new owner through a sale. However, there will be no court proceeding before the shares are transferred to a new owner. After the shares are transferred, the new owner may begin a court proceeding to evict you from the unit.

This notice is not an eviction notice.

(2) The notice required by this subsection shall be in bold, fourteen-point type and shall be printed on colored paper that is other than the color of the notice required by subsection (b) of this section, and the title of the notice shall be in bold, twenty-point type. The notice shall be on its own page.

(3) The notice required by this subsection shall appear as follows:

Help for Homeowners at Risk of Foreclosure

New York State Law requires that we send you this information about the foreclosure process. Please read it carefully.

Notice

You are in danger of losing your home. You are in default of your obligations under the loan secured by your rights to your cooperative apartment. It is important that you take action, if you wish to avoid losing your home.

Sources of Information and Assistance

The State encourages you to become informed about your options, by seeking assistance from an attorney, a legal aid office, or a government agency or non-profit organization that provides counseling with respect to home foreclosures.

To locate a housing counselor near you, you may call the toll-free helpline maintained by the New York State Department of Financial Services at (enter number) or visit the Department's website at (enter web address).

One of these persons or organizations may be able to help you, including trying to work with your lender to modify the loan to make it more affordable.

Foreclosure rescue scams

Be careful of people who approach you with offers to “save” your home. There are individuals who watch for notices of foreclosure actions or collateral sales in order to unfairly profit from a homeowner's distress. You should be extremely careful about any such promises and any suggestions that you pay them a fee or sign any papers that transfer rights of any kind to your cooperative apartment. State law requires anyone offering such services for profit to enter into a contract which fully describes the services they will perform and fees they will charge, and which prohibits them from taking any money from you until they have completed all such promised services.

(4) The department of financial services shall prescribe the telephone number and web address to be included in the notice.

(5) The department of financial services shall post on its website or otherwise make readily available the name and contact information of government agencies or non-profit organizations that may be contacted for information about the foreclosure process, including maintaining a toll-free helpline to disseminate the information required by this subsection.

§ 9-612. TIMELINESS OF NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

(a) Reasonable time is question of fact. Except as otherwise provided in subsection (b), whether a notification is sent within a reasonable time is a question of fact.

(b) 10-day period sufficient in non-consumer transaction. In a transaction other than a consumer transaction, a notification of disposition sent after default and 10 days or more before the earliest time of disposition set forth in the notification is sent within a reasonable time before the disposition.

§ 9-613. CONTENTS AND FORM OF NOTIFICATION BEFORE DISPOSITION OF COLLATERAL: GENERAL.

(a) Contents and form of notification. Except in a consumer-goods transaction, the following rules apply:

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

(A) describes the debtor and the secured party;

(B) describes the collateral that is the subject of the intended disposition;

(C) states the method of intended disposition;

(D) states that the debtor is entitled to an accounting of the unpaid indebtedness and states the charge, if any, for an accounting; and

(E) states the time and place of a public disposition or the time after which any other disposition is to be made.

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

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

(A) information not specified by subsection (a); or

(B) minor errors that are not seriously misleading.

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

(5) The following form of notification and the form appearing in Section 9-614(a)(3), when completed in accordance with the instructions in subsection (b) and Section 9-614(b), each provides sufficient information:

NOTIFICATION OF DISPOSITION OF COLLATERAL

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

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

{1} Name of any debtor that is not an addressee: (Name of each debtor)

{2} We will sell (describe collateral) (to the highest qualified bidder) at public sale. A sale could include a lease or license. The sale will be held as follows:

(Date)

(Time)

(Place)

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

{4} You are entitled to an accounting of the unpaid indebtedness secured by the property that we intend to sell or, as applicable, lease or license.

{5} If you request an accounting you must pay a charge of $ (amount).

{6} You may request an accounting by calling us at (telephone number).

(End of Form)

(b) Instructions for form of notification. The following instructions apply to the form of notification in subsection (a)(5):

(1) The instructions in this subsection refer to the numbers in braces before items in the form of notification in subsection (a)(5). Do not include the numbers or braces in the notification. The numbers and braces are used only for the purpose of these instructions.

(2) Include and complete subsection (a)(5) item {1} only if there is a debtor that is not an addressee of the notification and list the name or names.

(3) Include and complete either item {2}, if the notification relates to a public disposition of the collateral, or item {3}, if the notification relates to a private disposition of the collateral. If item {2} is included, include the words “to the highest qualified bidder” only if applicable.

(4) Include and complete items {4} and {6}.

(5) Include and complete item {5} only if the sender will charge the recipient for an accounting.

§ 9-614. CONTENTS AND FORM OF NOTIFICATION BEFORE DISPOSITION OF COLLATERAL: CONSUMER-GOODS TRANSACTION.

(a) Contents and form of notification. In a consumer-goods transaction, the following rules apply:

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

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

(B) a description of any liability for a deficiency of the person to which the notification is sent;

(C) a telephone number from which the amount that must be paid to the secured party to redeem the collateral under Section 9-623 is available; and

(D) a telephone number or mailing address from which additional information concerning the disposition and the obligation secured is available.

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

(3) The following form of notification, when completed in accordance with the instructions in subsection (b), provides sufficient information:

(Name and address of secured party)

(Date)

NOTICE OF OUR PLAN TO SELL PROPERTY

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

Subject: (Identification of Transaction)

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

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

Date: ____________________

Time: ____________________

Place: ____________________

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

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

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

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

{5} If you want us to explain to you in writing or in (description of electronic record) (description of electronic record) how we have figured the amount that you owe us,

{6} call us at (telephone number) or write us at (secured party's address) or contact us by (description of electronic communication method)

{7} and request a written explanation or an explanation in (description of electronic record) an explanation in (description of electronic record).

{8} We will charge you $ (amount) for the explanation if we sent you another written explanation of the amount you owe us within the last six months.

{9} If you need more information about the sale call us at (telephone number) or write us at (secured party's address) or contact us by (description of electronic communication method).

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

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

(End of Form)

(4) A notification in the form of paragraph (3) is sufficient, even if additional information appears at the end of the form.

(5) A notification in the form of paragraph (3) is sufficient, even if it includes errors in information not required by paragraph (3), unless the error is misleading with respect to rights arising under this article.

(6) If a notification under this section is not in the form of paragraph (3), law other than this article determines the effect of including information not required by paragraph (3).

(b) Instructions for form of notification. The following instructions apply to the form of notification in subsection (a)(3):

(1) The instructions in this subsection refer to the numbers in braces before items in the form of notification in subsection (a)(3). Do not include the numbers or braces in the notification. The numbers and braces are used only for the purpose of these instructions.

(2) Include and complete either item {1}, if the notification relates to a public disposition of the collateral, or item {2}, if the notification relates to a private disposition of the collateral.

(3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

(4) In item {5}, include and complete any one of the three alternative methods for the explanation—writing, writing or electronic record, or electronic record.

(5) In item {6}, include the telephone number. In addition, the sender may include and complete either or both of the two additional alternative methods of communication—writing or electronic communication—for the recipient of the notification to communicate with the sender. Neither of the two additional methods of communication is required to be included.

(6) In item {7}, include and complete the method or methods for the explanation—writing, writing or electronic record, or electronic record—included in item {5}.

(7) Include and complete item {8} only if a written explanation is included in item {5} as a method for communicating the explanation and the sender will charge the recipient for another written explanation.

(8) In item {9}, include either the telephone number or the address or both the telephone number and the address. In addition, the sender may include and complete the additional method of communication—electronic communication—for the recipient of the notification to communicate with the sender. The additional method of electronic communication is not required to be included.

(9) If item {10} does not apply, insert "None" after "agreement:".

§ 9-615. APPLICATION OF PROCEEDS OF DISPOSITION; LIABILITY FOR DEFICIENCY AND RIGHT TO SURPLUS.

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

(1) the reasonable expenses of retaking, holding, preparing for disposition, processing, and disposing, and, to the extent provided for by agreement and not prohibited by law, reasonable attorney's fees and legal expenses incurred by the secured party;

(1-a) in the case of a cooperative organization security interest, the holder thereof in the amount secured thereby;

(2) the satisfaction of obligations secured by the security interest or agricultural lien under which the disposition is made;

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

(A) the secured party receives from the holder of the subordinate security interest or other lien a signed demand for proceeds before distribution of the proceeds is completed; and

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

(4) a secured party that is a consignor of the collateral if the secured party receives from the consignor a signed demand for proceeds before distribution of the proceeds is completed.

(b) Proof of subordinate interest. If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder does so, the secured party need not comply with the holder's demand under subsection (a) (3).

(c) Application of noncash proceeds. A secured party need not apply or pay over for application noncash proceeds of disposition under Section 9-610 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(d) Surplus or deficiency if obligation secured. If the security interest under which a disposition is made secures payment or performance of an obligation, after making the payments and applications required by subsection (a) and permitted by subsection (c):

(1) unless subsection (a)(4) requires the secured party to apply or pay over cash proceeds to a consignor, the secured party shall account to and pay a debtor for any surplus; and

(2) the obligor is liable for any deficiency.

(e) No surplus or deficiency in sales of certain rights to payment. If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes:

(1) the debtor is not entitled to any surplus; and

(2) the obligor is not liable for any deficiency.

(f) Calculation of surplus or deficiency in disposition to person related to secured party. The surplus or deficiency following a disposition is calculated based on the amount of proceeds that would have been realized in a disposition complying with this part to a transferee other than the secured party, a person related to the secured party, or a secondary obligor if:

(1) the transferee in the disposition is the secured party, a person related to the secured party, or a secondary obligor; and

(2) the amount of proceeds of the disposition is significantly below the range of proceeds that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

(g) Cash proceeds received by junior secured party. A secured party that receives cash proceeds of a disposition in good faith and without knowledge that the receipt violates the rights of the holder of a security interest or other lien that is not subordinate to the security interest or agricultural lien under which the disposition is made:

(1) takes the cash proceeds free of the security interest or other lien;

(2) is not obligated to apply the proceeds of the disposition to the satisfaction of obligations secured by the security interest or other lien; and

(3) is not obligated to account to or pay the holder of the security interest or other lien for any surplus.

§ 9-616. EXPLANATION OF CALCULATION OF SURPLUS OR DEFICIENCY.

(a) Definitions. In this section:

(1) “Explanation” means a record that:

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

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

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

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

(2) “Request” means a record:

(A) signed by a debtor or consumer obligor;

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

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

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

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

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

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

(2) in the case of a consumer obligor who is liable for a deficiency, within fourteen days after receipt of a request, send to the consumer obligor a record waiving the secured party's right to a deficiency.

(c) Required information. To comply with subsection (a)(1)(B), an explanation must provide the following information in the following order:

(1) the aggregate amount of obligations secured by the security interest under which the disposition was made, and, if the amount reflects a rebate of unearned interest or credit service charge, an indication of that fact, calculated as of a specified date:

(A) if the secured party takes or receives possession of the collateral after default, not more than thirty-five days before the secured party takes or receives possession; or

(B) if the secured party takes or receives possession of the collateral before default or does not take possession of the collateral, not more than thirty-five days before the disposition;

(2) the amount of proceeds of the disposition;

(3) the aggregate amount of the obligations after deducting the amount of proceeds;

(4) the amount, in the aggregate or by type, and types of expenses, including expenses of retaking, holding, preparing for disposition, processing, and disposing of the collateral, and attorney's fees secured by the collateral which are known to the secured party and relate to the current disposition;

(5) the amount, in the aggregate or by type, and types of credits, including rebates of interest or credit service charges, to which the obligor is known to be entitled and which are not reflected in the amount in paragraph (1); and

(6) the amount of the surplus or deficiency.

(d) Substantial compliance. A particular phrasing of the explanation is not required. An explanation complying substantially with the requirements of subsection (a) is sufficient, even if it includes minor errors that are not seriously misleading.

(e) Charges for responses. A debtor or consumer obligor is entitled without charge to one response to a request under this section during any six-month period in which the secured party did not send to the debtor or consumer obligor an explanation pursuant to subsection (b)(1). The secured party may require payment of a charge not exceeding 25 dollars for each additional response.

§ 9-617. RIGHTS OF TRANSFEREE OF COLLATERAL.

(a) Effects of disposition. A secured party's disposition of collateral after default:

(1) transfers to a transferee for value all of the debtor's rights in the collateral;

(2) discharges the security interest under which the disposition is made; and

(3) discharges any subordinate security interest or other subordinate lien other than liens created under any law of this state that are not to be discharged.

(b) Rights of good-faith transferee. A transferee that acts in good faith takes free of the rights and interests described in subsection (a), even if the secured party fails to comply with this article or the requirements of any judicial proceeding.

(c) Rights of other transferee. If a transferee does not take free of the rights and interests described in subsection (a), the transferee takes the collateral subject to:

(1) the debtor's rights in the collateral;

(2) the security interest or agricultural lien under which the disposition is made; and

(3) any other security interest or other lien.

§ 9-618. RIGHTS AND DUTIES OF CERTAIN SECONDARY OBLIGORS.

(a) Rights and duties of secondary obligor. A secondary obligor acquires the rights and becomes obligated to perform the duties of the secured party after the secondary obligor:

(1) receives an assignment of a secured obligation from the secured party;

(2) receives a transfer of collateral from the secured party and agrees to accept the rights and assume the duties of the secured party; or

(3) is subrogated to the rights of a secured party with respect to collateral.

(b) Effect of assignment, transfer, or subrogation. An assignment, transfer, or subrogation described in subsection (a):

(1) is not a disposition of collateral under Section 9-610; and

(2) relieves the secured party of further duties under this article.

§ 9-619. TRANSFER OF RECORD OR LEGAL TITLE.

(a) "Transfer statement." In this section, "transfer statement" means a record signed by a secured party stating:

(1) that the debtor has defaulted in connection with an obligation secured by specified collateral;

(2) that the secured party has exercised its post-default remedies with respect to the collateral;

(3) that, by reason of the exercise, a transferee has acquired the rights of the debtor in the collateral; and

(4) the name and mailing address of the secured party, debtor, and transferee.

(b) Effect of transfer statement. A transfer statement entitles the transferee to the transfer of record of all rights of the debtor in the collateral specified in the statement in any official filing, recording, registration, or certificate-of-title system covering the collateral. If a transfer statement is presented with the applicable fee and request form to the official or office responsible for maintaining the system, the official or office shall:

(1) accept the transfer statement;

(2) promptly amend its records to reflect the transfer; and

(3) if applicable, issue a new appropriate certificate of title in the name of the transferee.

(c) Transfer not a disposition; no relief of secured party's duties. A transfer of the record or legal title to collateral to a secured party under subsection (b) or otherwise is not of itself a disposition of collateral under this article and does not of itself relieve the secured party of its duties under this article.

§ 9-620. ACCEPTANCE OF COLLATERAL IN FULL OR PARTIAL SATISFACTION OF OBLIGATION; COMPULSORY DISPOSITION OF COLLATERAL.

(a) Conditions to acceptance in satisfaction. Except as otherwise provided in subsections (g) and (h), a secured party may accept collateral in full or partial satisfaction of the obligation it secures only if:

(1) the debtor consents to the acceptance under subsection (c);

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

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

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

(3) if the collateral is consumer goods, the collateral is not in the possession of the debtor when the debtor consents to the acceptance; and

(4) subsection (e) does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to Section 9-624.

(b) Purported acceptance ineffective. A purported or apparent acceptance of collateral under this section is ineffective unless:

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

(2) the conditions of subsection (a) are met.

(c) Debtor's consent. For purposes of this section:

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

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

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

(B) in the proposal, proposes to accept collateral in full satisfaction of the obligation it secures; and

(C) does not receive a notification of objection authenticated by the debtor within twenty days after the proposal is sent.

(d) Effectiveness of notification. To be effective under subsection (a)(2), a notification of objection must be received by the secured party:

(1) in the case of a person to which the proposal was sent pursuant to Section 9-621, within 20 days after notification was sent to that person; and

(2) in other cases:

(A) within 20 days after the last notification was sent pursuant to Section 9-621; or

(B) if a notification was not sent, before the debtor consents to the acceptance under subsection (c).

(e) Mandatory disposition of consumer goods. A secured party that has taken possession of collateral shall dispose of the collateral pursuant to Section 9-610 within the time specified in subsection (f) if:

(1) sixty percent of the cash price has been paid in the case of a purchase-money security interest in consumer goods; or

(2) sixty percent of the principal amount of the obligation secured has been paid in the case of a non-purchase-money security interest in consumer goods.

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

(1) within 90 days after taking possession; or

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

(g) No partial satisfaction in consumer transaction. In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

(h) Special provisions for cooperative interests. A secured party whose collateral consists of a residential cooperative interest used by the debtor and whose security interest in such collateral secures an obligation incurred in connection with financing or refinancing of the acquisition of such cooperative interest and who chooses to accept that cooperative interest in full satisfaction of the debtor's obligation may do so.

(1) If the secured party sends a proposal to take the cooperative interest in full satisfaction of the debtor's obligation, the proposal shall be accompanied by a notice in the form and manner prescribed in subsection (f) of section 9-611 of this subpart, unless the secured party has previously sent the debtor such notice. A debtor consents to an acceptance of a cooperative interest in full satisfaction of the obligation it secures only if the debtor agrees to the terms of the proposal in a record authenticated after default.

(2) A debtor may propose to the secured party that it take the cooperative interest in full satisfaction of the obligation it secures. The proposal shall be ineffective unless the secured party consents to the proposal in an authenticated record.

§ 9-621. NOTIFICATION OF PROPOSAL TO ACCEPT COLLATERAL.

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

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

(2) any other secured party or lienholder that, 10 days before the debtor consented to the acceptance, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that:

(A) identified the collateral;

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

(C) was filed in the office or offices in which to file a financing statement against the debtor covering the collateral as of that date; and

(3) any other secured party that, 10 days before the debtor consented to the acceptance, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in Section 9-311(a).

(b) Proposal to be sent to secondary obligor in partial satisfaction. A secured party that desires to accept collateral in partial satisfaction of the obligation it secures shall send its proposal to any secondary obligor in addition to the persons described in subsection (a).

§ 9-622. EFFECT OF ACCEPTANCE OF COLLATERAL.

(a) Effect of acceptance. A secured party's acceptance of collateral in full or partial satisfaction of the obligation it secures:

(1) discharges the obligation to the extent consented to by the debtor;

(2) transfers to the secured party all of a debtor's rights in the collateral;

(3) discharges the security interest or agricultural lien that is the subject of the debtor's consent and any subordinate security interest or other subordinate lien; and

(4) terminates any other subordinate interest.

(b) Discharge of subordinate interest notwithstanding noncompliance. A subordinate interest is discharged or terminated under subsection (a), even if the secured party fails to comply with this article.

§ 9-623. RIGHT TO REDEEM COLLATERAL.

(a) Persons that may redeem. A debtor, any secondary obligor, or any other secured party or lienholder may redeem collateral.

(b) Requirements for redemption. To redeem collateral, a person shall tender:

(1) fulfillment of all obligations secured by the collateral; and

(2) the reasonable expenses and attorney's fees described in Section 9-615(a)(1).

(c) When redemption may occur. A redemption may occur at any time before a secured party:

(1) has collected collateral under Section 9-607;

(2) has disposed of collateral or entered into a contract for its disposition under Section 9-610; or

(3) has accepted collateral in full or partial satisfaction of the obligation it secures under Section 9-622.

§ 9-624. WAIVER.

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

(b) Waiver of mandatory disposition. A debtor may waive the right to require disposition of collateral under Section 9-620 (e) only by an agreement to that effect entered into and authenticated after default.

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

SUBPART 2: NONCOMPLIANCE WITH ARTICLE

§ 9-625. REMEDIES FOR SECURED PARTY'S FAILURE TO COMPLY WITH ARTICLE.

(a) Judicial orders concerning noncompliance. If it is established that a secured party is not proceeding in accordance with this article, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

(b) Damages for noncompliance. Subject to subsections (c), (d), and (f), a person is liable for damages in the amount of any loss caused by a failure to comply with this article. Loss caused by a failure to comply may include loss resulting from the debtor's inability to obtain, or increased costs of, alternative financing.

(c) Persons entitled to recover damages; statutory damages if collateral is consumer goods. Except as otherwise provided in Section 9-628:

(1) a person that, at the time of the failure, was a debtor, was an obligor, or held a security interest in or other lien on the collateral may recover damages under subsection (b) for its loss; and

(2) if the collateral is consumer goods, a person that was a debtor or a secondary obligor at the time a secured party failed to comply with this part may recover for that failure in any event an amount not less than the credit service charge plus 10 percent of the principal amount of the obligation or the time-price differential plus 10 percent of the cash price.

(d) Recovery when deficiency eliminated or reduced. A debtor whose deficiency is eliminated under Section 9-626 may recover damages for the loss of any surplus. However, a debtor or secondary obligor whose deficiency is eliminated or reduced under Section 9-626 may not otherwise recover under subsection (b) for noncompliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(e) Statutory damages: noncompliance with specified provisions. In addition to any damages recoverable under subsection (b), the debtor, consumer obligor, or person named as a debtor in a filed record, as applicable, may recover five hundred dollars in each case from a person that:

(1) fails to comply with Section 9-208;

(2) fails to comply with Section 9-209;

(3) files a record that the person is not entitled to file under Section 9-509(a);

(4) fails to cause the secured party of record to file or send a termination statement as required by Section 9-513 (a), (c), or (e);

(5) fails to comply with Section 9-616 (b) (1) and whose failure is part of a pattern, or consistent with a practice, of noncompliance; or

(6) fails to comply with Section 9-616 (b) (2).

(f) Statutory damages: noncompliance with Section 9-210. A debtor or consumer obligor may recover damages under subsection (b) and, in addition, five hundred dollars in each case from a person that, without reasonable cause, fails to comply with a request under Section 9-210. A recipient of a request under Section 9-210 which never claimed an interest in the collateral or obligations that are the subject of a request under that section has a reasonable excuse for failure to comply with the request within the meaning of this subsection.

(g) Limitation of security interest: noncompliance with Section 9-210. If a secured party fails to comply with a request regarding a list of collateral or a statement of account under Section 9-210, the secured party may claim a security interest only as shown in the list or statement included in the request as against a person that is reasonably misled by the failure.

§ 9-626. ACTION IN WHICH DEFICIENCY OR SURPLUS IS IN ISSUE.

(a) Applicable rules if amount of deficiency or surplus is in issue. In an action arising from a transaction, other than a consumer transaction, in which the amount of a deficiency or surplus is in issue, the following rules apply:

(1) A secured party need not prove compliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance unless the debtor or a secondary obligor places the secured party's compliance in issue.

(2) If the secured party's compliance is placed in issue, the secured party has the burden of establishing that the collection, enforcement, disposition, or acceptance was conducted in accordance with this part.

(3) Except as otherwise provided in Section 9-628, if a secured party fails to prove that the collection, enforcement, disposition, or acceptance was conducted in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance, the liability of a debtor or a secondary obligor for a deficiency is limited to an amount by which the sum of the secured obligation, expenses, and attorney's fees exceeds the greater of:

(A) the proceeds of the collection, enforcement, disposition, or acceptance; or

(B) the amount of proceeds that would have been realized had the noncomplying secured party proceeded in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(4) For purposes of paragraph (3)(B), the amount of proceeds that would have been realized is equal to the sum of the secured obligation, expenses, and attorney's fees unless the secured party proves that the amount is less than that sum.

(5) If a deficiency or surplus is calculated under Section 9-615(f), the debtor or obligor has the burden of establishing that the amount of proceeds of the disposition is significantly below the range of prices that a complying disposition to a person other than

the secured party, a person related to the secured party, or a secondary obligor would have brought.

(b) Non-consumer transactions; no inference. The limitation of the rules in subsection (a) to transactions other than consumer transactions is intended to leave to the court the determination of the proper rules in consumer transactions. The court may not infer from that limitation the nature of the proper rule in consumer transactions and may continue to apply established approaches.

§ 9-627. DETERMINATION OF WHETHER CONDUCT WAS COMMERCIALLY REASONABLE.

(a) Greater amount obtainable under other circumstances; no preclusion of commercial reasonableness. The fact that a greater amount could have been obtained by a collection, enforcement, disposition, or acceptance at a different time or in a different method from that selected by the secured party is not of itself sufficient to preclude the secured party from establishing that the collection, enforcement, disposition, or acceptance was made in a commercially reasonable manner.

(b) Dispositions that are commercially reasonable. A disposition of collateral is made in a commercially reasonable manner if the disposition is made:

(1) in the usual manner on any recognized market;

(2) at the price current in any recognized market at the time of the disposition; or

(3) otherwise in conformity with reasonable commercial practices among dealers in the type of property that was the subject of the disposition.

(c) Approval by court or on behalf of creditors. A collection, enforcement, disposition, or acceptance is commercially reasonable if it has been approved:

(1) in a judicial proceeding;

(2) by a bona fide creditors' committee;

(3) by a representative of creditors; or

(4) by an assignee for the benefit of creditors.

(d) Approval under subsection (c) not necessary; absence of approval has no effect. Approval under subsection (c) need not be obtained, and lack of approval does not mean that the collection, enforcement, disposition, or acceptance is not commercially reasonable.

§ 9-628. NONLIABILITY AND LIMITATION ON LIABILITY OF SECURED PARTY; LIABILITY OF SECONDARY OBLIGOR.

(a) Limitation of liability of secured party for noncompliance with article. Unless a secured party knows that a person is a debtor or obligor, knows the identity of the person, and knows how to communicate with the person:

(1) the secured party is not liable to the person, or to a secured party or lienholder that has filed a financing statement against the person, for failure to comply with this article; and

(2) the secured party's failure to comply with this article does not affect the liability of the person for a deficiency.

(b) Limitation of liability based on status as secured party. A secured party is not liable because of its status as secured party:

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

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

(B) the identity of the person; and

(C) how to communicate with the person; or

(2) to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

(A) that the person is a debtor; and

(B) the identity of the person.

(c) Limitation of liability if reasonable belief that transaction not a consumer-goods transaction or consumer transaction. A secured party is not liable to any person, and a person's liability for a deficiency is not affected, because of any act or omission arising out of the secured party's reasonable belief that a transaction is not a consumer-goods transaction or a consumer transaction or that goods are not consumer goods, if the secured party's belief is based on its reasonable reliance on:

(1) a debtor's representation concerning the purpose for which collateral was to be used, acquired, or held; or

(2) an obligor's representation concerning the purpose for which a secured obligation was incurred.

(d) Limitation of liability for statutory damages. A secured party is not liable to any person under Section 9-625 (c) (2) for its failure to comply with Section 9-616.

(e) Limitation of multiple liability for statutory damages. A secured party is not liable under Section 9-625 (c) (2) more than once with respect to any one secured obligation.

PART 7: TRANSITION

§ 9-700. DEFINITIONS.

The following words and terms when used in this part 7 shall have the following meanings:

“Former Article 9.” The provisions of article 9 of the Uniform Commercial Code of this state as in effect before the effective date of Revised Article 9.

“Revised Article 9.” The provisions of article 9 of the Uniform Commercial Code of this state, as amended by the chapter of the laws of 2001 which added these words and as they may be further amended.

§ 9-701. EFFECTIVE DATE.

Revised Article 9 takes effect on July 1, 2001.

§ 9-702. SAVINGS CLAUSE.

(a) Pre-effective-date transactions or liens. Except as otherwise provided in this part, Revised Article 9 applies to a transaction or lien within its scope, even if the transaction or lien was entered into or created before Revised Article 9 takes effect.

(b) Continuing validity. Except as otherwise provided in subsection (c) and Sections 9-703 through 9-709:

> (1) transactions and liens that were not governed by Former Article 9, were validly entered into or created before Revised Article 9 takes effect, and would be subject to Revised Article 9 if they had been entered into or created after Revised Article 9 takes effect, and the rights, duties, and interests flowing from those transactions and liens remain valid after Revised Article 9 takes effect; and
>
> (2) the transactions and liens may be terminated, completed, consummated, and enforced as required or permitted by Revised Article 9 or by the law that otherwise would apply if Revised Article 9 had not taken effect.

(c) Pre-effective-date proceedings. Revised Article 9 does not affect an action, case, or proceeding commenced before Revised Article 9 takes effect.

§ 9-703. SECURITY INTEREST PERFECTED BEFORE EFFECTIVE DATE.

(a) Continuing priority over lien creditor: perfection requirements satisfied. A security interest that is enforceable immediately before Revised Article 9 takes effect and would have priority over the rights of a person that becomes a lien creditor at that time is a perfected security interest under Revised Article 9 if, when Revised Article 9 takes effect, the applicable requirements for enforceability and perfection under Revised Article 9 are satisfied without further action.

(b) Continuing priority over lien creditor: perfection requirements not satisfied. Except as otherwise provided in Section 9-705 and subsection (c), if, immediately before this article takes effect, a security interest is enforceable and would have priority over the rights of a person that becomes a lien creditor at that time, but the applicable requirements for enforceability or perfection under this article are not satisfied when this article takes effect, the security interest:

(1) is a perfected security interest for one year after this article takes effect;

(2) remains enforceable thereafter only if the security interest becomes enforceable under Section 9-203 before the year expires; and

(3) remains perfected thereafter only if the applicable requirements for perfection under this article are satisfied before the year expires.

(c) Special rule for cooperative interests: perfection requirements not satisfied. If, immediately before Revised Article 9 takes effect, a security interest in a cooperative interest is enforceable and would have priority over the rights of a person that becomes a lien creditor at that time, but the applicable requirements for perfection under Revised Article 9 are not satisfied when Revised Article 9 takes effect, the security interest:

(1) is a perfected security interest for 5 years after Revised Article 9 takes effect; and

(2) remains perfected thereafter only if the applicable requirements for perfection under Revised Article 9 are satisfied before the 5 years expire.

§ 9-704. SECURITY INTEREST UNPERFECTED BEFORE EFFECTIVE DATE.

A security interest that is enforceable immediately before Revised Article 9 takes effect but which would be subordinate to the rights of a person that becomes a lien creditor at that time:

(a) remains an enforceable security interest for one year after Revised Article 9 takes effect;

(b) remains enforceable thereafter if the security interest becomes enforceable under Section 9-203 when Revised Article 9 takes effect or within one year thereafter; and

(c) becomes perfected:

(1) without further action, when Revised Article 9 takes effect if the applicable requirements for perfection under Revised Article 9 are satisfied before or at that time; or

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

§ 9-705. EFFECTIVENESS OF ACTION TAKEN BEFORE EFFECTIVE DATE.

(a) Pre-effective-date action; one-year perfection period unless reperfected. If action, other than the filing of a financing statement, is taken before Revised Article 9 takes effect and the action would have resulted in priority of a security interest over the rights of a person that becomes a lien creditor had the security interest become enforceable before Revised Article 9 takes effect, the action is effective to perfect a security interest that attaches under Revised Article 9 within one year after Revised Article 9 takes effect. An attached security interest becomes unperfected one year after Revised Article 9 takes effect unless the security interest becomes a perfected security interest under Revised Article 9 before the expiration of that period.

(b) Pre-effective-date filing. The filing of a financing statement before Revised Article 9 takes effect is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under Revised Article 9.

(c) Pre-effective-date filing in jurisdiction formerly governing perfection. Revised Article 9 does not render ineffective an effective financing statement that, before Revised Article 9 takes effect, is filed and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in Former Section 9-103. However, except as otherwise provided in subsections (d) and (e) and Section 9-706, the financing statement ceases to be effective at the earlier of:

(1) the time the financing statement would have ceased to be effective under the law of the jurisdiction in which it is filed; or

(2) June thirtieth, 2006.

(d) Continuation statement. The filing of a continuation statement after Revised Article 9 takes effect does not continue the effectiveness of the financing statement filed before Revised Article 9 takes effect. However, upon the timely filing of a continuation statement after Revised Article 9 takes effect and in accordance with the law of the jurisdiction governing perfection as provided in Part 3, the effectiveness of a financing statement filed in the same office in that jurisdiction before Revised Article 9 takes effect continues for the period provided by the law of that jurisdiction.

(e) Application of subsection (c) (2) to transmitting utility financing statement. Subsection (c) (2) applies to a financing statement that, before Revised Article 9 takes effect, is filed against a transmitting utility and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in Former Section 9-103 only to the extent that Part 3 provides that the law of a jurisdiction other than the jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

(f) Application of Part 5. A financing statement that includes a financing statement filed before Revised Article 9 takes effect and a continuation statement filed after Revised Article 9 takes effect is effective only to the extent that it satisfies the requirements of Part 5 for an initial financing statement.

§ 9-706. WHEN INITIAL FINANCING STATEMENT SUFFICES TO CONTINUE EFFECTIVENESS OF FINANCING STATEMENT.

(a) Initial financing statement in lieu of continuation statement. The filing of an initial financing statement in the office specified in Section 9-501 continues the effectiveness of a financing statement filed before Revised Article 9 takes effect if:

(1) the filing of an initial financing statement in that office would be effective to perfect a security interest under Revised Article 9;

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

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

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

(1) if the initial financing statement is filed before Revised Article 9 takes effect, for the period provided in Former Section 9-403 with respect to a financing statement; and

(2) if the initial financing statement is filed after Revised Article 9 takes effect, for the period provided in Section 9-515 with respect to an initial financing statement.

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

(1) satisfy the requirements of Part 5 for an initial financing statement;

(2) identify the pre-effective-date financing statement by indicating the office in which the financing statement was filed and providing the dates of filing and file numbers, if any, of

the financing statement and of the most recent continuation statement filed with respect to the financing statement; and

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

§ 9-707. AMENDMENT OF PRE-EFFECTIVE-DATE FINANCING STATEMENT.

(a) “Pre-effective-date financing statement”. In this section, “pre-effective-date financing statement” means a financing statement filed before Revised Article 9 takes effect.

(b) Applicable law. After Revised Article 9 takes effect, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or otherwise amend the information provided in, a pre-effective-date financing statement only in accordance with the law of the jurisdiction governing perfection as provided in Part 3. However, the effectiveness of a pre-effective-date financing statement also may be terminated in accordance with the law of the jurisdiction in which the financing statement is filed.

(c) Method of amending: general rule. Except as otherwise provided in subsection (d), if the law of this state governs perfection of a security interest, the information in a pre-effective-date financing statement may be amended after Revised Article 9 takes effect only if:

(1) the pre-effective-date financing statement and an amendment are filed in the office specified in Section 9-501;

(2) an amendment is filed in the office specified in Section 9-501 concurrently with, or after the filing in that office of, an initial financing statement that satisfies Section 9-706 (c); or

(3) an initial financing statement that provides the information as amended and satisfies Section 9-706 (c)is filed in the office specified in Section 9-501.

(d) Method of amending: continuation. If the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement may be continued only under Section 9-705 (d)and (f) or 9-706.

(e) Method of amending: additional termination rule. Whether or not the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement filed in this state may be terminated after Revised Article 9 takes effect by filing a termination statement in the office in which the pre-effective-date financing statement is filed, unless an initial financing statement that satisfies Section 9-706 (c) has been filed in the office specified by the law of the jurisdiction governing perfection as provided in Part 3 as the office in which to file a financing statement.

§ 9-708. PERSONS ENTITLED TO FILE INITIAL FINANCING STATEMENT OR CONTINUATION STATEMENT.

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

(a) the secured party of record authorizes the filing; and

(b) the filing is necessary under this part:

(1) to continue the effectiveness of a financing statement filed before Revised Article 9 takes effect; or

(2) to perfect or continue the perfection of a security interest.

§ 9-709. PRIORITY.

(a) Law governing priority. Revised Article 9 determines the priority of conflicting claims to collateral. However, if the relative priorities of the claims were established before Revised Article 9 takes effect, Former Article 9 determines priority.

(b) Priority if security interest becomes enforceable under Section 9-203. For purposes of Section 9-322(a), the priority of a security interest that becomes enforceable under Section 9-203 of Revised Article 9 dates from the time Revised Article 9 takes effect if the security interest is perfected under Revised Article 9 by the filing of a financing statement before Revised Article 9 takes effect which would not have been effective to perfect the security interest under Former Article 9. This subsection does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement.

§ 9-710. TRANSITIONAL PROVISION FOR MAINTAINING AND SEARCHING LOCAL-FILING OFFICE RECORDS.

(a) In this Section:

(1) “Local-filing office” means a filing office, other than the department of state, that is designated as the proper place to file a financing statement under Section 9-401 of Former Article 9. The term applies only with respect to a record that covers a type of collateral as to which the filing office is designated in that section as the proper place to file.

(2) “Former-Article-9 records” means:

(A) financing statements and other records that have been filed in a local-filing office before the effective date of this Article, and that are, or upon processing and indexing will be, reflected in the index maintained, as of the effective date of this

Article, by the local-filing office for financing statements and other records filed in the local-filing office before the effective date of this Article, and

(B) the index as of the day before the effective date of this Article.

The term does not include records presented to a local-filing office for filing after the effective date of this Article, whether or not the records relate to financing statements filed in the local-filing office before the effective date of this Article.

(3) “Cooperative interest”, “mortgage”, “as-extracted collateral”, “fixture filing”, “goods” and “fixtures” have the meanings set forth in this Article.

(b) A local-filing office must not accept for filing a record presented on or after the effective date of this Article, whether or not the record relates to a financing statement filed in the local-filing office before the effective date of this Article.

(c) Until at least seven years after the effective date of this Article, each local-filing office shall maintain all former-Article-9 records in accordance with Former Article 9. A former-Article-9 record that is not reflected on the index maintained on the day before the effective date of this Article by the local-filing office must be processed and indexed as soon as practicable but in any event no later than thirty days after the effective date of this Article.

(d) Until at least seven years after the effective date of this Article, each local-filing office shall respond to requests for information with respect to former-Article-9 records relating to a debtor and issue certificates, in accordance with Former Article 9. The fees charged for responding to requests for information relating to a debtor and issuing certificates with respect to former-Article-9 records shall be the fees in effect under Former Article 9 on the day before the effective date of this Article, unless a different fee is later determined in accordance with section ninety-six-a of the executive law.

(e) Subsequent to seven years after the effective date of this Article, each local-filing office may remove and destroy, in accordance with any then applicable record retention law of this state, all former-Article-9 records, including the related index.

(f) This section shall not apply, with respect to financing statements and other records, to a filing office in which mortgages or records of mortgages on real property are required to be filed or recorded, if:

(1) the collateral is timber to be cut or as-extracted collateral; or

(2) the record is or relates to a financing statement filed as a fixture filing and the collateral is goods that are or are to become fixtures; or

(3) the collateral is a cooperative interest.

FOR NOTES

DATED: ______________________________

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VIACHESLAV KUTUZOV, Esq.

55 Broadway, Floor 3

New York, NY, 10006, The U.S.A

P: +1.646.8374669

E: viacheslav@kutuzov.esq

NEW YORK CONSOLIDATED LAWS, UNIFORM COMMERCIAL CODE — ARTICLE 12. CONTROLLABLE ELECTRONIC RECORDS

Added by Chapter 579 of the Laws of 2025; effective June 3, 2026.

§ 12-101. SHORT TITLE.

This article may be cited as Uniform Commercial Code--Controllable Electronic Records.

§ 12-102. DEFINITIONS.

(a) In this article:

(1) “Controllable electronic record” means a record stored in an electronic medium that can be subjected to control under Section 12-105. The term does not include a controllable account, a controllable payment intangible, a deposit account, an electronic copy of a record evidencing chattel paper, an electronic document of title, electronic money, investment property, or a transferable record.

(2) “Qualifying purchaser” means a purchaser of a controllable electronic record or an interest in a controllable electronic record that obtains control of the controllable electronic record for value, in good faith, and without notice of a claim of a property right in the controllable electronic record. In the case of a controllable electronic record that would be a “draft” or a “note”, as those terms are defined in Section 3-104, if the controllable electronic record were a signed writing, Section 3-304(7) applies to the determination of whether a purchaser obtains control of the controllable electronic record without notice of a claim of a property right in it as if the reference in that subsection to “the instrument” referred to the controllable electronic record. The preceding sentence applies even if the controllable electronic record contains a term by which an obligor or account debtor on the controllable account or controllable payment intangible evidenced by the controllable electronic record waives or agrees not to assert against an assignee of the controllable electronic record any claim or defense that the obligor or account debtor may have against the assignor.

(3) “Transferable record” means an electronic record that either:

(A) is a “transferable record” under Section 201(a)(1) of the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. Section 7021(a)(1), as amended; or,

(B) is governed by the law of any State that has enacted or adopted the Uniform Electronic Transactions Act substantially as approved and recommended for enactment in all the States by the National Conference of Commissioners on Uniform State Laws in 1999 and is a “transferable record” under Section 16(a) of that Act.

(4) “Value” has the meaning provided in Section 3-303(a), as if references in that subsection to an “instrument” were references to a controllable account, controllable electronic record, or controllable payment intangible.

(b) Definitions in other articles. The following definitions in other articles apply to this article:

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

(2) Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.

§ 12-103. RELATION TO ARTICLE 9 AND CONSUMER LAWS.

(a) Article 9 governs in case of conflict. If there is conflict between this article and Article 9, Article 9 governs.

(b) Applicable consumer law and other laws. A transaction subject to this article is subject to any applicable rule of law that establishes a different rule for consumers, including Article 22-A of the General Business Law and chapter 5 of title 20 of the New York City Administrative Code.

(c) Enforceability or effectiveness. If an electronic record is a controllable electronic record under this article, Section 307.2 of the Electronic Signatures and Records Act (State Technology Law 301 et seq.) shall not impair the enforceability or effectiveness of such electronic record under this article nor shall such Act cause such controllable electronic record to be governed by Article 3 rather than this article, except to the extent the electronic record expressly provides otherwise or was created prior to the effective date of this article.

§ 12-104. RIGHTS IN CONTROLLABLE ACCOUNT, CONTROLLABLE ELECTRONIC RECORD, AND CONTROLLABLE PAYMENT INTANGIBLE.

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

(b) Control of controllable account and controllable payment intangible. To determine whether a purchaser of a controllable account or a controllable payment intangible is a qualifying purchaser, the purchaser obtains control of the account or payment intangible if it obtains control of the controllable electronic record that evidences the account or payment intangible.

(c) Applicability of other law to acquisition of rights. Except as provided in this section, law other than this article determines whether a person acquires a right in a controllable electronic record and the right the person acquires.

(d) Shelter principle and purchase of limited interest. A purchaser of a controllable electronic record acquires all rights in the controllable electronic record that the transferor had or had power to transfer, except that a purchaser of a limited interest in a controllable electronic record acquires rights only to the extent of the interest purchased.

(e) Rights of qualifying purchaser. A qualifying purchaser acquires its rights in the controllable electronic record free of a claim of a property right in the controllable electronic record.

(f) Limitation of rights of qualifying purchaser in other property. Except as provided in subsections (a) and (e) for a controllable account and a controllable payment intangible or law other than this article, a qualifying purchaser takes a right to payment, right to performance, or other interest in property evidenced by the controllable electronic record subject to a claim of a property right in the right to payment, right to performance, or other interest in property.

(g) No-action protection for qualifying purchaser. An action may not be asserted against a qualifying purchaser based on both a purchase by the qualifying purchaser of a controllable electronic record and a claim of a property right in another controllable electronic record, whether the action is framed in conversion, replevin, constructive trust, equitable lien, or other theory.

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

§ 12-105. CONTROL OF CONTROLLABLE ELECTRONIC RECORD.

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

(1) gives the person:

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

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

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

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

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

(b) Meaning of exclusive. Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i) and (ii) even if:

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

(2) the power is shared with another person.

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

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

(2) the other person:

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

(B) is the transferor to the person of an interest in the controllable electronic record or a controllable account or controllable payment intangible evidenced by the controllable electronic record.

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

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

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

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

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

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

§ 12-106. DISCHARGE OF ACCOUNT DEBTOR ON CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) divide a payment;

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

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

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

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

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

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

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

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

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

§ 12-107. GOVERNING LAW.

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

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

(c) Controllable electronic record's jurisdiction. The following rules determine a controllable electronic record's jurisdiction under this section:

> (1) If the controllable electronic record, or a record attached to or logically associated with the controllable electronic record and readily available for review, expressly provides that a particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this article, that jurisdiction is the controllable electronic record's jurisdiction.
>
> (2) If paragraph (1) does not apply and the rules of the system in which the controllable electronic record is recorded are readily available for review and expressly provide that a particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this article, that jurisdiction is the controllable electronic record's jurisdiction.
>
> (3) If paragraphs (1) and (2) do not apply and the controllable electronic record, or a record attached to or logically associated with the controllable electronic record and readily available for review, expressly provides that the controllable electronic record is governed by the law of a particular jurisdiction, that jurisdiction is the controllable electronic record's jurisdiction.
>
> (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which the controllable electronic record is recorded are readily available for review and expressly provide that the controllable electronic record or the system is governed by the law of a particular jurisdiction, that jurisdiction is the controllable electronic record's jurisdiction.
>
> (5) If paragraphs (1) through (4) do not apply, the controllable electronic record's jurisdiction is the District of Columbia.

(d) Applicability of Article 12. If subsection (c)(5) applies and Article 12 is not in effect in the District of Columbia without material modification, the governing law for a matter covered by this article is the law of the District of Columbia as though Article 12 were in effect in the District of Columbia without material modification. In this subsection, "Article 12" means Article 12 of Uniform Commercial Code Amendments (2022).

(e) Relation of matter or transaction to controllable electronic record's jurisdiction not necessary. To the extent subsections (a) and (b) provide that the local law of the controllable electronic record's jurisdiction governs a matter covered by this article, that law governs even if the matter or a transaction to which the matter relates does not bear any relation to the controllable electronic record's jurisdiction.

(f) Rights of purchasers determined at time of purchase. The rights acquired under Section 12-104 by a purchaser or qualifying purchaser are governed by the law applicable under this section at the time of purchase.

NEW YORK CONSOLIDATED LAWS, UNIFORM COMMERCIAL CODE — ARTICLE 12-A. TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL CODE AMENDMENTS

Added by Chapter 579 of the Laws of 2025; effective June 3, 2026. Governs the transition of existing transactions to the amended Article 9 and to Article 12 (adjustment date: one year after the effective date).

PART 1: GENERAL PROVISIONS AND DEFINITIONS

§ 12-A-101. TITLE.

This article may be cited as Transitional Provisions for the 2025 Uniform Commercial Code Amendments.

§ 12-A-102. DEFINITIONS.

(a) Article A Definitions. In this article:

(1) “Adjustment date” means the date that is one year after the effective date.

(2) “Article 12” means Article 12 of this code.

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

(4) “Effective date” means the date determined pursuant to section 88 of the UCC Revision Act.

(5) “Revised UCC” means the Uniform Commercial Code as amended by the UCC Revision Act.

(6) “UCC Revision Act” means the chapter of the laws of two thousand twenty-five that added this article and article 12 to the Uniform Commercial Code.

(b) Definitions in other articles. The following definitions in other articles of this code apply to this article.

“Controllable account”

Section 9-102.

“Controllable electronic record”

Section 12-102.

"Controllable payment intangible"

Section 9-102.

"Electronic money"

Section 9-102.

"Financing statement"

Section 9-102.

(c) Article 1 definitions and principles. Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.

PART 2: GENERAL TRANSITIONAL PROVISION

§ 12-A-201. SAVING CLAUSE.

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

PART 3: TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

§ 12-A-301. SAVING CLAUSE.

(a) Pre-effective-date transaction, lien, or interest. Except as provided in this part, Article 9 as amended by the UCC Revision Act and Article 12 apply to a transaction, lien, or other interest in property, even if the transaction, lien, or interest was entered into, created, or acquired before the effective date.

(b) Continuing validity. Except as provided in subsection (c) and Sections 12-A-302 through 12-A-306:

> (1) a transaction, lien, or interest in property that was validly entered into, created, or transferred before the effective date of the UCC Revision Act and was not governed by the Uniform Commercial Code, but would be subject to Article 9 as amended by the UCC Revision Act or Article 12 if it had been entered into, created, or transferred on or after the effective date, including the rights, duties, and interests flowing from the transaction, lien, or interest, remains valid on and after the effective date of the UCC Revision Act; and

(2) the transaction, lien, or interest may be terminated, completed, consummated, and enforced as required or permitted by the revised UCC or by the law that would apply if the UCC Revision Act had not taken effect.

(c) Pre-effective-date proceeding. The UCC Revision Act does not affect an action, case, or proceeding commenced before the effective date of the UCC Revision Act.

§ 12-A-302. SECURITY INTEREST PERFECTED BEFORE EFFECTIVE DATE.

(a) Continuing perfection: perfection requirements satisfied. A security interest that is enforceable and perfected immediately before the effective date of the UCC Revision Act is a perfected security interest under the revised UCC if, on the effective date of the UCC Revision Act, the requirements for enforceability and perfection under the revised UCC are satisfied without further action.

(b) Continuing perfection: enforceability or perfection requirements not satisfied. If a security interest is enforceable and perfected immediately before the effective date of the UCC Revision Act, but the requirements for enforceability or perfection under the revised UCC are not satisfied on the effective date of the UCC Revision Act, the security interest:

(1) is a perfected security interest until the earlier of the time perfection would have ceased under the law in effect immediately before the effective date of the UCC Revision Act or the adjustment date;

(2) remains enforceable thereafter only if the security interest satisfies the requirements for enforceability under Section 9-203, as amended by the UCC Revision Act; and

(3) remains perfected thereafter only if the requirements for perfection under the revised UCC are satisfied before the time specified in paragraph (1).

§ 12-A-303. SECURITY INTEREST UNPERFECTED BEFORE EFFECTIVE DATE.

A security interest that is enforceable immediately before the effective date of the UCC Revision Act but is unperfected at that time:

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

(2) remains enforceable thereafter if the security interest becomes enforceable under Section 9-203, as amended by the UCC Revision Act, on the effective date of the UCC Revision Act or before the adjustment date; and

(3) becomes perfected:

(A) without further action, on the effective date of the UCC Revision Act if the requirements for perfection under the revised UCC are satisfied before or at that time; or

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

§ 12-A-304. EFFECTIVENESS OF ACTIONS TAKEN BEFORE EFFECTIVE DATE.

(a) Pre-effective-date action; attachment and perfection before adjustment date. If action, other than the filing of a financing statement, is taken before the effective date of the UCC Revision Act and the action would have resulted in perfection of the security interest had the security interest become enforceable before the effective date of the UCC Revision Act, the action is effective to perfect a security interest that attaches under the revised UCC before the adjustment date. An attached security interest becomes unperfected on the adjustment date unless the security interest becomes a perfected security interest under the revised UCC before the adjustment date.

(b) Pre-effective-date filing. The filing of a financing statement before the effective date of the UCC Revision Act is effective to perfect a security interest on the effective date of this article to the extent the filing would satisfy the requirements for perfection under the revised UCC.

(c) Pre-effective-date enforceability action. The taking of an action before the effective date of the UCC Revision Act is sufficient for the enforceability of a security interest on the effective date of the UCC Revision Act if the action would satisfy the requirements for enforceability under the revised UCC.

§ 12-A-305. PRIORITY.

(a) Determination of priority. Subject to subsections (b) and (c), the revised UCC determines the priority of conflicting claims to collateral.

(b) Established priorities. Subject to subsection (c), if the priorities of claims to collateral were established before the effective date of the UCC Revision Act, Article 9 as in effect before the effective date of the UCC Revision Act determines priority.

(c) Determination of certain priorities on adjustment date. On the adjustment date, to the extent the priorities determined by Article 9 as amended by the UCC Revision Act modify the priorities established before the effective date of the UCC Revision Act, the priorities of claims to Article 12 property and electronic money established before the effective date of the UCC Revision Act cease to apply.

§ 12-A-306. PRIORITY OF CLAIMS WHEN PRIORITY RULES OF ARTICLE 9 DO NOT APPLY.

(a) Determination of priority. Subject to subsections (b) and (c), Article 12 determines the priority of conflicting claims to Article 12 property when the priority rules of Article 9 as amended by the UCC Revision Act do not apply.

(b) Established priorities. Subject to subsection (c), when the priority rules of Article 9 as amended by the UCC Revision Act do not apply and the priorities of claims to Article 12 property were established before the effective date of the UCC Revision Act, law other than Article 12 determines priority.

(c) Determination of certain priorities on adjustment date. When the priority rules of Article 9 as amended by the UCC Revision Act do not apply, to the extent the priorities determined by the revised UCC modify the priorities established before the effective date of the UCC Revision Act, the priorities of claims to Article 12 property established before the effective date of of the UCC Revision Act cease to apply on the adjustment date.

[Editor’s note: The duplicated “of of” appears in the official text and is reproduced as published.]

FOR NOTES

VIACHESLAV KUTUZOV, Esq.

Kutuzov & Associates, P.C. I www.kutuzov.org
55 Broadway, Floor 3, New York, New York 10006
Phone: +1.646.8374669 I Email: viacheslav@kutuzov.esq