

1 SB308
2 136152-3
3 By Senator Ward
4 RFD: Judiciary
5 First Read: 14-FEB-12

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8 SYNOPSIS: Under existing law, the Uniform Commercial
9 Code-Secured Transactions, appears as Chapter 9A of
10 Title 7 of the Code of Alabama 1975, and provides a
11 comprehensive program for the regulation of
12 security interests in personal property and
13 fixtures.

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

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

9
10 A BILL
11 TO BE ENTITLED
12 AN ACT

13
14 To amend Sections 7-9A-102, 7-9A-105, 7-9A-307,
15 7-9A-311, 7-9A-316, 7-9A-317, 7-9A-326, 7-9A-406, 7-9A-408,
16 7-9A-502, 7-9A-503, 7-9A-507, 7-9A-515, 7-9A-516, 7-9A-518,
17 and 7-9A-607 of, and to add Part 8, consisting of Sections
18 7-9A-801, 7-9A-802, 7-9A-803, 7-9A-804, 7-9A-805, 7-9A-806,
19 7-9A-807, 7-9A-808, and 7-9A-809, to Chapter 9A of Title 7, of
20 the Code of Alabama 1975, relating to the Uniform Commercial
21 Code-Secured Transactions, including the effectiveness of a
22 security agreement, and attachment of security interest.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. Sections 7-9A-102, 7-9A-105, 7-9A-307,
25 7-9A-311, 7-9A-316, 7-9A-317, 7-9A-326, 7-9A-406, 7-9A-408,
26 7-9A-502, 7-9A-503, 7-9A-507, 7-9A-515, 7-9A-516, 7-9A-518,

1 and 7-9A-607, Code of Alabama 1975, are amended to read as
2 follows:

3 §7-9A-102.

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

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

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

1 than rights arising out of the use of a credit or charge card
2 or information contained on or for use with the card.

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

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

9 "(A) authenticated by a secured party;

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (ii) attaches to the minerals as extracted; or

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

14 (7) "Authenticate" means:

15 (A) to sign; or

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

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

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

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

15 "(11) "Chattel paper" means a record or records that
16 evidence both a monetary obligation and a security interest in
17 specific goods, a security interest in specific goods and
18 software used in the goods, a security interest in specific
19 goods and license of software used in the goods, a lease of
20 specific goods, or a lease of specific goods and license of
21 software used in the goods. In this paragraph, "monetary
22 obligation" means a monetary obligation secured by the goods
23 or owed under a lease of the goods and includes a monetary
24 obligation with respect to software used in the goods. The
25 term does not include (i) charters or other contracts
26 involving the use or hire of a vessel or (ii) records that
27 evidence a right to payment arising out of the use of a credit

1 or charge card or information contained on or for use with the
2 card. If a transaction is evidenced by records that include an
3 instrument or series of instruments, the group of records
4 taken together constitutes chattel paper.

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

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

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

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

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

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

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

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

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

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

22 "(15) "Commodity contract" means a commodity futures
23 contract, an option on a commodity futures contract, a
24 commodity option, or another contract if the contract or
25 option is:

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

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

7 "(16) "Commodity customer" means a person for which
8 a commodity intermediary carries a commodity contract on its
9 books.

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

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

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

17 "(18) "Communicate" means:

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

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

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

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

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

4 "(A) the merchant:

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

7 "(ii) is not an auctioneer; and

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

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

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

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

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

18 "(22) "Consumer debtor" means a debtor in a consumer
19 transaction.

20 "(23) "Consumer goods" means goods that are used or
21 bought for use primarily for personal, family, or household
22 purposes.

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

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

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

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

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

13 "(27) "Continuation statement" means an amendment of
14 a financing statement which:

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

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

20 "(28) "Debtor" means:

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

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

26 "(C) a consignee.

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

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

7 "(31) "Electronic chattel paper" means chattel paper
8 evidenced by a record or records consisting of information
9 stored in an electronic medium.

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

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

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

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

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

21 "(ii) aquatic goods produced in aquacultural
22 operations;

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

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

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

3 "(35) "Farming operation" means raising,
4 cultivating, propagating, fattening, grazing, or any other
5 farming, livestock, or aquacultural operation.

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

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

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

12 "(39) "Financing statement" means a record or
13 records composed of an initial financing statement and any
14 filed record relating to the initial financing statement.

15 "(40) "Fixture filing" means the filing of a
16 financing statement covering goods that are or are to become
17 fixtures and satisfying Section 7-9A-502(a) and (b). The term
18 includes the filing of a financing statement covering goods of
19 a transmitting utility which are or are to become fixtures.

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

23 "(42) "General intangible" means any personal
24 property, including things in action, other than accounts,
25 chattel paper, commercial tort claims, deposit accounts,
26 documents, goods, instruments, investment property,
27 letter-of-credit rights, letters of credit, money, and oil,

1 gas, or other minerals before extraction. The term includes
2 payment intangibles and software.

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

5 "(44) "Goods" means all things that are movable when
6 a security interest attaches. The term includes (i) fixtures,
7 (ii) standing timber that is to be cut and removed under a
8 conveyance or contract for sale, to the extent such standing
9 timber and cutting rights with respect thereto are considered
10 as chattels under Section 35-4-363, (iii) the unborn young of
11 animals, (iv) crops grown, growing, or to be grown, even if
12 the crops are produced on trees, vines, or bushes, and (v)
13 manufactured homes. The term also includes a computer program
14 embedded in goods and any supporting information provided in
15 connection with a transaction relating to the program if (i)
16 the program is associated with the goods in such a manner that
17 it customarily is considered part of the goods, or (ii) by
18 becoming the owner of the goods, a person acquires a right to
19 use the program in connection with the goods. The term does
20 not include a computer program embedded in goods that consist
21 solely of the medium in which the program is embedded. The
22 term also does not include accounts, chattel paper, commercial
23 tort claims, deposit accounts, documents, general intangibles,
24 instruments, investment property, letter-of-credit rights,
25 letters of credit, money, or oil, gas, or other minerals
26 before extraction.

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

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

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

21 "(48) "Inventory" means goods, other than farm
22 products, which:

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

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

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

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

3 "(49) "Investment property" means a security,
4 whether certificated or uncertificated, security entitlement,
5 securities account, commodity contract, or commodity account.

6 "(50) "Jurisdiction of organization," with respect
7 to a registered organization, means the jurisdiction under
8 whose law the organization is organized.

9 "(51) "Letter-of-credit right" means a right to
10 payment or performance under a letter of credit, whether or
11 not the beneficiary has demanded or is at the time entitled to
12 demand payment or performance. The term does not include the
13 right of a beneficiary to demand payment or performance under
14 a letter of credit.

15 "(52) "Lien creditor" means:

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

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

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

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

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

26 "(54) "Manufactured-home transaction" means a
27 secured transaction:

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

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

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

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

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

18 "(58) "Noncash proceeds" means proceeds other than
19 cash proceeds.

20 "(59) "Obligor" means a person that, with respect to
21 an obligation secured by a security interest in or an
22 agricultural lien on the collateral, (i) owes payment or other
23 performance of the obligation, (ii) has provided property
24 other than the collateral to secure payment or other
25 performance of the obligation, or (iii) is otherwise
26 accountable in whole or in part for payment or other

1 performance of the obligation. The term does not include
2 issuers or nominated persons under a letter of credit.

3 "(60) "Original debtor," except as used in Section
4 7-9A-310(c), means a person that, as debtor, entered into a
5 security agreement to which a new debtor has become bound
6 under Section 7-9A-203(d).

7 "(61) "Payment intangible" means a general
8 intangible under which the account debtor's principal
9 obligation is a monetary obligation.

10 "(62) "Person related to," with respect to an
11 individual, means:

12 "(A) the spouse of the individual;

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

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

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

20 "(63) "Person related to," with respect to an
21 organization, means:

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

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

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

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

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

9 "(64) "Proceeds," except as used in Section
10 7-9A-609(b), means the following property:

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

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

15 "(C) rights arising out of collateral;

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

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

25 "(65) "Promissory note" means an instrument that
26 evidences a promise to pay a monetary obligation, does not
27 evidence an order to pay, and does not contain an

1 acknowledgment by a bank that the bank has received for
2 deposit a sum of money or funds.

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

8 "(67) Omitted.

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

11 "(i) a record consisting of the record initially
12 filed with or issued by a state or the United States to form
13 or organize an organization and any record filed with or
14 issued by the state or the United States which amends or
15 restates the initial record;

16 "(ii) an organic record of a business trust
17 consisting of the record initially filed with a state and any
18 record filed with the state which amends or restates the
19 initial record, if a statute of the state governing business
20 trusts requires that the record be filed with the state; or

21 "(iii) a record consisting of legislation enacted by
22 the Legislature of a state or the Congress of the United
23 States which forms or organizes an organization, any record
24 amending the legislation, and any record filed with or issued
25 by the state or United States which amends or restates the
26 name of the organization.

1 "(B) For purposes of this definition and the
2 definition of registered organization, a certificate of
3 formation filed with a judge of probate pursuant to Section
4 10A-1-4.02(a) is filed with the state.

5 ~~"(68)~~(69) "Pursuant to commitment," with respect to
6 an advance made or other value given by a secured party, means
7 pursuant to the secured party's obligation, whether or not a
8 subsequent event of default or other event not within the
9 secured party's control has relieved or may relieve the
10 secured party from its obligation.

11 ~~"(69)~~(70) "Record," except as used in "for record,"
12 "of record," "record or legal title," and "record owner,"
13 means information that is inscribed on a tangible medium or
14 which is stored in an electronic or other medium and is
15 retrievable in perceivable form.

16 ~~"(70)~~(71) "Registered organization" means an
17 organization formed organized solely under the law of a single
18 State or the United States ~~and as to which the state or the~~
19 ~~United States must maintain a public record showing the~~
20 ~~organization to have been organized~~ by the filing of a public
21 organic record with, the issuance of a public organic record
22 by, or the enactment of legislation by the state or the United
23 States. The term includes a business trust that is formed or
24 organized under the law of a single state if a statute of the
25 state governing business trusts requires that the business
26 trust's organic record be filed with the state.

1 "~~(71)~~(72) "Secondary obligor" means an obligor to
2 the extent that:

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

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

7 "~~(72)~~(73) "Secured party" means:

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

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

12 "(C) a consignor;

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

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

18 "(F) a person that holds a security interest arising
19 under Section 7-2-401, 7-2-505, 7-2-711(3), 7-2A-508(5),
20 7-4-210, or 7-5-118.

21 "~~(73)~~(74) "Security agreement" means an agreement
22 that creates or provides for a security interest.

23 "~~(74)~~(75) "Send," in connection with a record or
24 notification, means:

25 "(A) to deposit in the mail, deliver for
26 transmission, or transmit by any other usual means of
27 communication, with postage or cost of transmission provided

1 for, addressed to any address reasonable under the
2 circumstances; or

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

6 "~~(75)~~(76) "Software" means a computer program and
7 any supporting information provided in connection with a
8 transaction relating to the program. The term does not include
9 a computer program that is included in the definition of
10 goods.

11 "~~(76)~~(77) "State" means a state of the United
12 States, the District of Columbia, Puerto Rico, the United
13 States Virgin Islands, or any territory or insular possession
14 subject to the jurisdiction of the United States.

15 "~~(77)~~(78) "Supporting obligation" means a
16 letter-of-credit right or secondary obligation that supports
17 the payment or performance of an account, chattel paper, a
18 document, a general intangible, an instrument, or investment
19 property.

20 "~~(78)~~(79) "Tangible chattel paper" means chattel
21 paper evidenced by a record or records consisting of
22 information that is inscribed on a tangible medium.

23 "~~(79)~~(80) "Termination statement" means an amendment
24 of a financing statement which:

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

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

4 "~~(80)~~(81) "Transmitting utility" means a person
5 primarily engaged in the business of:

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

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

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

11 "(D) transmitting or producing or distributing
12 electricity, steam, gas, or water; or

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

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

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

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

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

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

22 ""Check" Section 7-3-104.

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

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

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

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

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

1 ""Holder in due course" Section 7-3-302.
2 ""Issuer" (with respect to a letter of credit or
3 letter-of-credit right) Section 7-5-102.
4 ""Issuer" (with respect to a security) Section
5 7-8-201.
6 ""Issuer" (with respect to documents of title)
7 Section 7-7-102.
8 ""Lease" Section 7-2A-103.
9 ""Lease agreement" Section 7-2A-103.
10 ""Lease contract" Section 7-2A-103.
11 ""Leasehold interest" Section 7-2A-103.
12 ""Lessee" Section 7-2A-103.
13 ""Lessee in ordinary course of business" Section
14 7-2A-103.
15 ""Lessor" Section 7-2A-103.
16 ""Lessor's residual interest" Section 7-2A-103.
17 ""Letter of credit" Section 7-5-102.
18 ""Merchant" Section 7-2-104.
19 ""Negotiable instrument" Section 7-3-104.
20 ""Nominated person" Section 7-5-102.
21 ""Note" Section 7-3-104.
22 ""Proceeds of a letter of credit" Section 7-5-114.
23 ""Prove" Section 7-3-103.
24 ""Sale" Section 7-2-106.
25 ""Securities account" Section 7-8-501.
26 ""Securities intermediary" Section 7-8-102.
27 ""Security" Section 7-8-102.

1 ""Security certificate" Section 7-8-102.

2 ""Security entitlement" Section 7-8-102.

3 ""Uncertificated security" Section 7-8-102.

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

7 "§7-9A-105.

8 "(a) General rule: control of electronic chattel
9 paper. A secured party has control of electronic chattel paper
10 if a system employed for evidencing the transfer of interests
11 in the chattel paper reliably establishes the secured party as
12 the person to which the chattel paper was assigned.

13 "(b) Specific facts giving control. A system
14 satisfies subsection (a), and a secured party has control of
15 electronic chattel paper, if the record or records comprising
16 the chattel paper are created, stored, and assigned in such a
17 manner that:

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

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

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

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

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

7 "(6) any ~~revision~~ amendment of the authoritative
8 copy is readily identifiable as an authorized or unauthorized
9 revision.

10 "§7-9A-307.

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

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

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

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

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

23 "(c) Limitation of applicability of subsection (b).
24 Subsection (b) applies only if a debtor's residence, place of
25 business, or chief executive office, as applicable, is located
26 in a jurisdiction whose law generally requires information
27 concerning the existence of a nonpossessory security interest

1 to be made generally available in a filing, recording, or
2 registration system as a condition or result of the security
3 interest's obtaining priority over the rights of a lien
4 creditor with respect to the collateral. If subsection (b)
5 does not apply, the debtor is located in the District of
6 Columbia.

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

11 "(e) Location of registered organization organized
12 under State law. A registered organization that is organized
13 under the law of a State is located in that State.

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

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

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

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

3 "(g) Continuation of location: Change in status of
4 registered organization. A registered organization continues
5 to be located in the jurisdiction specified by subsection (e)
6 or (f) notwithstanding:

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

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

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

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

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

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

26 "(l) Information as to debtor's location. Within 10
27 days after receipt of the secured party's authenticated

1 request, the debtor shall provide to the secured party the
2 information reasonably necessary to enable the secured party
3 to determine the debtor's location under this section.

4 "§7-9A-311.

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

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

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

26 "(3) a ~~certificate-of-title~~ statute of another
27 jurisdiction which provides for a security interest to be

1 indicated on ~~the~~ a certificate of title as a condition or
2 result of the security interest's obtaining priority over the
3 rights of a lien creditor with respect to the property.

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

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

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

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

4 "§7-9A-316.

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

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

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

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

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

25 "(c) Possessory security interest in collateral
26 moved to new jurisdiction. A possessory security interest in
27 collateral, other than goods covered by a certificate of title

1 and as-extracted collateral consisting of goods, remains
2 continuously perfected if:

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

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

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

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

19 "(e) When subsection (d) security interest becomes
20 unperfected against purchasers. A security interest described
21 in subsection (d) becomes unperfected as against a purchaser
22 of the goods for value and is deemed never to have been
23 perfected as against a purchaser of the goods for value if the
24 applicable requirements for perfection under Section
25 7-9A-311(b) or 7-9A-313 are not satisfied before the earlier
26 of:

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

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

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

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

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

20 "(g) Subsection (f) security interest perfected or
21 unperfected under law of new jurisdiction. If a security
22 interest described in subsection (f) becomes perfected under
23 the law of the other jurisdiction before the earlier of the
24 time or the end of the period described in that subsection, it
25 remains perfected thereafter. If the security interest does
26 not become perfected under the law of the other jurisdiction
27 before the earlier of that time or the end of that period, it

1 becomes unperfected and is deemed never to have been perfected
2 as against a purchaser of the collateral for value.

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

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

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

25 "(i) Effect of change in governing law on financing
26 statement filed against original debtor. If a financing
27 statement naming an original debtor is filed pursuant to the

1 law of the jurisdiction designated in Section 7-9A-301(1) or
2 7-9A-305(c) and the new debtor is located in another
3 jurisdiction, the following rules apply:

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

11 "(2) A security interest that is perfected by the
12 financing statement and which becomes perfected under the law
13 of the other jurisdiction before the earlier of the expiration
14 of the four-month period or the time the financing statement
15 would have become ineffective under the law of the
16 jurisdiction designated in Section 7-9A-301(1) or 7-9A-305(c)
17 remains perfected thereafter. A security interest that is
18 perfected by the financing statement but which does not become
19 perfected under the law of the other jurisdiction before the
20 earlier time or event becomes unperfected and is deemed never
21 to have been perfected as against a purchaser of the
22 collateral for value.

23 "§7-9A-317.

24 "(a) Conflicting security interests and rights of
25 lien creditors. A security interest or agricultural lien is
26 subordinate to the rights of:

1 "(1) a person entitled to priority under Section
2 7-9A-322; and

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

6 "(A) the security interest or agricultural lien is
7 perfected; or

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

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

19 "(c) Lessees that receive delivery. Except as
20 otherwise provided in subsection (e), a lessee of goods takes
21 free of a security interest or agricultural lien if the lessee
22 gives value and receives delivery of the collateral without
23 knowledge of the security interest or agricultural lien and
24 before it is perfected.

25 "(d) Licensees and buyers of certain collateral. A
26 licensee of a general intangible or a buyer, other than a
27 secured party, of ~~accounts, electronic chattel paper, general~~

1 ~~intangibles, or investment property collateral~~ other than
2 ~~tangible chattel paper, tangible documents, goods,~~
3 ~~instruments, or~~ a certificated security takes free of a
4 security interest if the licensee or buyer gives value without
5 knowledge of the security interest and before it is perfected.

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

14 "§7-9A-326.

15 "(a) Subordination of security interest created by
16 new debtor. Subject to subsection (b), a security interest
17 ~~that is~~ created by a new debtor ~~which in collateral in which~~
18 ~~the new debtor has or acquires rights and~~ is perfected by a
19 filed financing statement that is ~~effective solely under~~
20 ~~Section 7-9A-508 in collateral in which a new debtor has or~~
21 ~~acquires rights~~ would be ineffective to perfect the security
22 interest but for the application of Section 7-9A-508 or of
23 Sections 7-9A-508 and 7-9A-316(i)(1) is subordinate to a
24 security interest in the same collateral which is perfected
25 other than by such a filed financing statement ~~that is~~
26 ~~effective solely under Section 7-9A-508.~~

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

11 "§7-9A-406.

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

23 "(b) When notification ineffective. Subject to
24 subsection (h), notification is ineffective under subsection
25 (a):

26 "(1) if it does not reasonably identify the rights
27 assigned;

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

6 "(3) at the option of an account debtor, if the
7 notification notifies the account debtor to make less than the
8 full amount of any installment or other periodic payment to
9 the assignee, even if:

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

12 "(B) a portion has been assigned to another
13 assignee; or

14 "(C) the account debtor knows that the assignment to
15 that assignee is limited.

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

23 "(d) Term restricting assignment generally
24 ineffective. Except as otherwise provided in subsection (e)
25 and Sections 7-2A-303 and 7-9A-407, and subject to subsection
26 (h), a term in an agreement between an account debtor and an

1 assignor or in a promissory note is ineffective to the extent
2 that it:

3 "(1) prohibits, restricts, or requires the consent
4 of the account debtor or person obligated on the promissory
5 note to the assignment or transfer of, or the creation,
6 attachment, perfection, or enforcement of a security interest
7 in, the account, chattel paper, payment intangible, or
8 promissory note; or

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

15 "(e) Inapplicability of subsection (d) to certain
16 sales. Subsection (d) does not apply to the sale of a payment
17 intangible or promissory note, other than a sale pursuant to a
18 disposition under Section 7-9A-610 or an acceptance of
19 collateral under Section 7-9A-620.

20 "(f) Legal restrictions on assignment generally
21 ineffective. Except as otherwise provided in Sections 7-2A-303
22 and 7-9A-407 and subject to subsections (h) and (i), a rule of
23 law, statute, or regulation that prohibits, restricts, or
24 requires the consent of a government, governmental body or
25 official, or account debtor to the assignment or transfer of,
26 or creation of a security interest in, an account or chattel

1 paper is ineffective to the extent that the rule of law,
2 statute, or regulation:

3 "(1) prohibits, restricts, or requires the consent
4 of the government, governmental body or official, or account
5 debtor to the assignment or transfer of, or the creation,
6 attachment, perfection, or enforcement of a security interest
7 in the account or chattel paper; or

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

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

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

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

24 "(j) Section prevails over inconsistent law. This
25 section prevails over any inconsistent provision of an
26 existing or future statute, rule, or regulation of this State
27 unless the provision is contained in a statute of this State,

1 refers expressly to this section, and states that the
2 provision prevails over this section.

3 "§7-9A-408.

4 "(a) Term restricting assignment generally
5 ineffective. Except as otherwise provided in subsection (b), a
6 term in a promissory note or in an agreement between an
7 account debtor and a debtor which relates to a
8 health-care-insurance receivable or a general intangible,
9 including a contract, permit, license, or franchise, and which
10 term prohibits, restricts, or requires the consent of the
11 person obligated on the promissory note or the account debtor
12 to, the assignment or transfer of, or creation, attachment, or
13 perfection of a security interest in, the promissory note,
14 health-care-insurance receivable, or general intangible, is
15 ineffective to the extent that the term:

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

18 "(2) provides that the assignment or transfer or the
19 creation, attachment, or perfection of the security interest
20 may give rise to a default, breach, right of recoupment,
21 claim, defense, termination, right of termination, or remedy
22 under the promissory note, health-care-insurance receivable,
23 or general intangible.

24 "(b) Applicability of subsection (a) to sales of
25 certain rights to payment. Subsection (a) applies to a
26 security interest in a payment intangible or promissory note
27 only if the security interest arises out of a sale of the

1 payment intangible or promissory note, other than a sale
2 pursuant to a disposition under Section 7-9A-610 or an
3 acceptance of collateral under Section 7-9A-620.

4 "(c) Legal restrictions on assignment generally
5 ineffective. A rule of law, statute, or regulation that
6 prohibits, restricts, or requires the consent of a government,
7 governmental body or official, person obligated on a
8 promissory note, or account debtor to the assignment or
9 transfer of, or creation of a security interest in, a
10 promissory note, health-care-insurance receivable, or general
11 intangible, including a contract, permit, license, or
12 franchise between an account debtor and a debtor, is
13 ineffective to the extent that the rule of law, statute, or
14 regulation:

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

17 "(2) provides that the assignment or transfer or the
18 creation, attachment, or perfection of the security interest
19 may give rise to a default, breach, right of recoupment,
20 claim, defense, termination, right of termination, or remedy
21 under the promissory note, health-care-insurance receivable,
22 or general intangible.

23 "(d) Limitation on ineffectiveness under subsections
24 (a) and (c). To the extent that a term in a promissory note or
25 in an agreement between an account debtor and a debtor which
26 relates to a health-care-insurance receivable or general
27 intangible or a rule of law, statute, or regulation described

1 in subsection (c) would be effective under law other than this
2 article but is ineffective under subsection (a) or (c), the
3 creation, attachment, or perfection of a security interest in
4 the promissory note, health-care-insurance receivable, or
5 general intangible:

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

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

10 "(3) does not require the person obligated on the
11 promissory note or the account debtor to recognize the
12 security interest, pay or render performance to the secured
13 party, or accept payment or performance from the secured
14 party;

15 "(4) does not entitle the secured party to use or
16 assign the debtor's rights under the promissory note,
17 health-care-insurance receivable, or general intangible,
18 including any related information or materials furnished to
19 the debtor in the transaction giving rise to the promissory
20 note, health-care-insurance receivable, or general intangible;

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

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

1 "(e) Section prevails over inconsistent law. This
2 section prevails over any inconsistent provision of an
3 existing or future statute, rule, or regulation of this State
4 unless the provision is contained in a statute of this State,
5 refers expressly to this section, and states that the
6 provision prevails over this section.

7 "§7-9A-502.

8 "(a) Sufficiency of financing statement. Subject to
9 subsection (b), a financing statement is sufficient only if
10 it:

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

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

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

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

22 "(1) indicate that it covers this type of
23 collateral;

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

26 "(3) provide a description of the real property to
27 which the collateral is related sufficient to give

1 constructive notice of a mortgage under the law of this State
2 if the description were contained in a record of the mortgage
3 of the real property; and

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

7 "(c) Record of mortgage as financing statement. A
8 record of a mortgage is effective, from the date of recording,
9 as a financing statement filed as a fixture filing or as a
10 financing statement covering as-extracted collateral or timber
11 to be cut only if:

12 "(1) the record indicates the goods or accounts that
13 it covers;

14 "(2) the goods are or are to become fixtures related
15 to the real property described in the record or the collateral
16 is related to the real property described in the record and is
17 as-extracted collateral or timber to be cut;

18 "(3) the record satisfies the requirements for a
19 financing statement in this section, ~~other than an indication~~
20 ~~that it is to be filed in the real property records; and but:~~

21 "(A) the record need not indicate that it is to be
22 filed in the real property records; and

23 "(B) the record sufficiently provides the name of a
24 debtor who is an individual if it provides the individual name
25 of the debtor or the surname and first personal name of the
26 debtor, even if the debtor is an individual to whom Section
27 7-9A-503(a)(4) applies; and

1 "(4) the record is recorded.

2 "(d) Filing before security agreement or attachment.
3 A financing statement may be filed before a security agreement
4 is made or a security interest otherwise attaches.

5 "§7-9A-503.

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

8 "(1) except as otherwise provided in subdivision
9 (3), if the debtor is a registered organization or the
10 collateral is held in a trust that is a registered
11 organization, only if the financing statement provides the
12 name of the debtor indicated that is stated to be the
13 registered organization's name on the public organic record of
14 most recently filed with or issued or enacted by the debtor's
15 registered organization's jurisdiction of organization which
16 shows the debtor to have been organized: purports to state,
17 amend, or restate the registered organization's name;

18 "(2) subject to subsection (f), if the ~~debtor is a~~
19 ~~decendent's estate~~ collateral is being administered by the
20 personal representative of a decedent, only if the financing
21 statement provides, as the name of the debtor, the name of the
22 decedent and, in a separate part of the financing statement,
23 indicates that the ~~debtor is an estate~~ collateral is being
24 administered by a personal representative;

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

1 ~~"(A) provides the name specified for the trust in~~
2 ~~its organic documents or, if no name is specified, provides~~
3 ~~the name of the settlor and additional information sufficient~~
4 ~~to distinguish the debtor from other trusts having one or more~~
5 ~~of the same settlors; and~~

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

9 "(3) if the collateral is held in a trust that is
10 not a registered organization, only if the financing
11 statement:

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

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

15 "(ii) if the organic record of the trust does not
16 specify a name for the trust, the name of the settlor or
17 testator; and

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

19 "(i) if the name is provided in accordance with
20 subparagraph (A) (i), indicates that the collateral is held in
21 a trust; or

22 "(ii) if the name is provided in accordance with
23 subparagraph (A) (ii), provides additional information
24 sufficient to distinguish the trust from other trusts having
25 one or more of the same settlors or the same testator and
26 indicates that the collateral is held in a trust, unless the
27 additional information so indicates;

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

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

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

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

9 ~~"(4)~~ (5) in other cases:

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

12 "(B) if the debtor does not have a name, only if it
13 provides the names of the partners, members, associates, or
14 other persons comprising the debtor, in a manner that each
15 name provided would be sufficient if the person named were the
16 debtor.

17 "(b) Additional debtor-related information. A
18 financing statement that provides the name of the debtor in
19 accordance with subsection (a) is not rendered ineffective by
20 the absence of:

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

22 "(2) unless required under subsection (a) (4) (B),
23 names of partners, members, associates, or other persons
24 comprising the debtor.

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

1 "(d) Representative capacity. Failure to indicate
2 the representative capacity of a secured party or
3 representative of a secured party does not affect the
4 sufficiency of a financing statement.

5 "(e) Multiple debtors and secured parties. A
6 financing statement may provide the name of more than one
7 debtor and the name of more than one secured party.

8 "(f) Name of decedent. The name of the decedent
9 indicated on the order appointing the personal representative
10 of the decedent issued by the court having jurisdiction over
11 the collateral is sufficient as the "name of the decedent"
12 under subsection (a) (2).

13 "(g) Multiple driver's license or nondriver
14 identification cards. If this state has issued to an
15 individual more than one driver's license or nondriver
16 identification card of a kind described in subsection
17 (a) (4) (C), the one that was issued most recently is the one to
18 which the subsection (a) (4) (C) refers.

19 "(h) Definition. The "name of the settlor or
20 testator" means:

21 "(1) if the settlor is a registered organization,
22 the name that is stated to be the settlor's name on the public
23 organic record most recently filed with or issued or enacted
24 by the settlor's jurisdiction of organization which purports
25 to state, amend, or restate the settlor's name; or

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

1 "§7-9A-507.

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

7 "(b) Information becoming seriously misleading.
8 Except as otherwise provided in subsection (c) and Section
9 7-9A-508, a financing statement is not rendered ineffective
10 if, after the financing statement is filed, the information
11 provided in the financing statement becomes seriously
12 misleading under Section 7-9A-506.

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

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

22 "(2) the financing statement is not effective to
23 perfect a security interest in collateral acquired by the
24 debtor more than four months after the ~~change~~ filed financing
25 statement becomes seriously misleading, unless an amendment to
26 the financing statement which renders the financing statement

1 not seriously misleading is filed within four months after ~~the~~
2 ~~change~~ that event.

3 "§7-9A-515.

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

8 "(b) ~~Manufactured~~ Public-finance or
9 manufactured-home transaction. Except as otherwise provided in
10 subsections (e), (f), and (g), an initial financing statement
11 filed in connection with a manufactured-home transaction is
12 effective for a period of 30 years after the date of filing if
13 it indicates that it is filed in connection with a
14 manufactured-home transaction.

15 "(c) Lapse and continuation of financing statement.
16 The effectiveness of a filed financing statement lapses on the
17 expiration of the period of its effectiveness unless before
18 the lapse a continuation statement is filed pursuant to
19 subsection (d). Upon lapse, a financing statement ceases to be
20 effective and any security interest or agricultural lien that
21 was perfected by the financing statement becomes unperfected,
22 unless the security interest is perfected otherwise. If the
23 security interest or agricultural lien becomes unperfected
24 upon lapse, it is deemed never to have been perfected as
25 against a purchaser of the collateral for value.

26 "(d) When continuation statement may be filed. A
27 continuation statement may be filed only within six months

1 before the expiration of the five-year period specified in
2 subsection (a) or the 30-year period specified in subsection
3 (b), whichever is applicable.

4 "(e) Effect of filing continuation statement. Except
5 as otherwise provided in Section 7-9A-510, upon timely filing
6 of a continuation statement, the effectiveness of the initial
7 financing statement continues for a period of five years
8 commencing on the day on which the financing statement would
9 have become ineffective in the absence of the filing. Upon the
10 expiration of the five-year period, the financing statement
11 lapses in the same manner as provided in subsection (c),
12 unless, before the lapse, another continuation statement is
13 filed pursuant to subsection (d). Succeeding continuation
14 statements may be filed in the same manner to continue the
15 effectiveness of the initial financing statement.

16 "(f) Transmitting utility financing statement. If a
17 debtor is a transmitting utility and a filed initial financing
18 statement so indicates, the financing statement is effective
19 until a termination statement is filed.

20 "(g) Record of mortgage as financing statement. A
21 record of a mortgage that is effective as a financing
22 statement filed as a fixture filing under Section 7-9A-502(c)
23 remains effective as a financing statement filed as a fixture
24 filing until the mortgage is released or satisfied of record
25 or its effectiveness otherwise terminates as to the real
26 property.

1 "(h) Obligations made pursuant to the provisions of
2 the Alabama Small Loan Act. If the secured obligation is made
3 pursuant to the provisions of the Alabama Small Loan Act, the
4 effectiveness of a filed financing statement lapses upon the
5 earlier of repayment of the loan in full or the expiration of
6 five years after the date of filing.

7 "§7-9A-516.

8 "(a) What constitutes filing. Except as otherwise
9 provided in subsection (b), communication of a record to a
10 filing office and tender of the filing fee or acceptance of
11 the record by the filing office constitutes filing.

12 "(b) Refusal to accept record; filing does not
13 occur. Filing does not occur with respect to a record that a
14 filing office refuses to accept because:

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

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

19 "(3) the filing office is unable to index the record
20 because:

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

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

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

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

3 "(C) in the case of an initial financing statement
4 that provides the name of a debtor identified as an individual
5 or an amendment that provides a name of a debtor identified as
6 an individual which was not previously provided in the
7 financing statement to which the record relates, the record
8 does not identify the debtor's ~~last name~~ surname; or

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

13 "(4) in the case of an initial financing statement
14 or an amendment that adds a secured party of record, the
15 record does not provide a name and mailing address for the
16 secured party of record;

17 "(5) in the case of an initial financing statement
18 or an amendment that provides a name of a debtor which was not
19 previously provided in the financing statement to which the
20 amendment relates, the record does not:

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

22 "(B) indicate whether the name provided as the name
23 of the debtor is the name of an individual or an organization;
24 or

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

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

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

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

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

9 "(c) Rules applicable to subsection (b). For
10 purposes of subsection (b):

11 "(1) a record does not provide information if the
12 filing office is unable to read or decipher the information;
13 and

14 "(2) a record that does not indicate that it is an
15 amendment or identify an initial financing statement to which
16 it relates, as required by Section 7-9A-512, 7-9A-514, or
17 7-9A-518, is an initial financing statement.

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

26 "§7-9A-518.

1 "(a) Correction statement. A person may file in the
2 filing office ~~a correction~~ an information statement with
3 respect to a record indexed there under the person's name if
4 the person believes that the record is inaccurate or was
5 wrongfully filed.

6 "(b) ~~Sufficiency~~ Contents of ~~correction~~ statement
7 under subsection (a). ~~A correction~~ An information statement
8 under subsection (a) must:

9 "(1) identify the record to which it relates by the
10 file number assigned to the initial financing statement to
11 which the record relates;

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

14 "(3) provide the basis for the person's belief that
15 the record is inaccurate and indicate the manner in which the
16 person believes the record should be amended to cure any
17 inaccuracy or provide the basis for the person's belief that
18 the record was wrongfully filed.

19 "(c) Statement by secured party of record. A person
20 may file in the filing office an information statement with
21 respect to a record filed there if the person is a secured
22 party of record with respect to the financing statement to
23 which the record relates and believes that the person that
24 filed the record was not entitled to do so under Section
25 7-9A-509(d).

26 "(d) Contents of statement under subsection (c). An
27 information statement under subsection (c) must:

1 "(1) identify the record to which it relates by the
2 file number assigned to the initial financing statement to
3 which the record relates;

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

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

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

13 "§7-9A-607.

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

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

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

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

1 the account debtor or other person obligated on the
2 collateral;

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

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

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

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

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

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

23 "(B) the secured party is entitled to enforce the
24 mortgage nonjudicially.

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

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

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

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

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

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

20 Part 8. Transitional Provisions for 2012 Amendments.

21 §7-9A-801. RESERVED.

22 §7-9A-802. Savings Clause.

23 (a) Pre-effective date transactions or liens. Except
24 as otherwise provided in this part, the act adding this part
25 applies to a transaction or lien within its scope, even if the
26 transaction or lien was entered into or created before July 1,
27 2013.

1 (b) Pre-effective-date proceedings. The act adding
2 this part does not affect an action, case, or proceeding
3 commenced before July 1, 2013.

4 §7-9A-803. Security Interest Perfected Before
5 Effective Date.

6 (a) Continuing perfection: perfection requirements
7 satisfied. A security interest that is a perfected security
8 interest immediately before July 1, 2013, is a perfected
9 security interest under Article 9 as amended by the act adding
10 this part, if, on July 1, 2013, the applicable requirements
11 for attachment and perfection under Article 9 as amended by
12 the act adding this part are satisfied without further action.

13 (b) Continuing perfection: perfection requirements
14 not satisfied. Except as otherwise provided in Section
15 7-9A-805, if, immediately before July 1, 2013, a security
16 interest is a perfected security interest, but the applicable
17 requirements for perfection under Article 9 as amended by the
18 act adding this part are not satisfied on July 1, 2013, the
19 security interest remains perfected thereafter only if the
20 applicable requirements for perfection under Article 9 as
21 amended by the act adding this part are satisfied before July
22 1, 2013.

23 §7-9A-804. Security Interest Unperfected Before
24 Effective Date.

25 A security interest that is an unperfected security
26 interest immediately before July 1, 2013, becomes a perfected
27 security interest:

1 (1) without further action, on July 1, 2013, if the
2 applicable requirements for perfection under Article 9 as
3 amended by the act adding this part are satisfied before or at
4 that time; or

5 (2) when the applicable requirements for perfection
6 are satisfied if the requirements are satisfied after that
7 time.

8 §7-9A-805. Effectiveness Of Action Taken Before
9 Effective Date.

10 (a) Pre-effective-date filing effective. The filing
11 of a financing statement before July 1, 2013, is effective to
12 perfect a security interest to the extent the filing would
13 satisfy the applicable requirements for perfection under
14 Article 9 as amended by the act adding this part.

15 (b) When pre-effective-date filing becomes
16 ineffective. The act adding this part does not render
17 ineffective an effective financing statement that, before July
18 1, 2013, is filed and satisfies the applicable requirements
19 for perfection under the law of the jurisdiction governing
20 perfection as provided in Article 9 as it existed before
21 amendment by the act adding this part. However, except as
22 otherwise provided in subsections (c) and (d) and Section
23 7-9A-806, the financing statement ceases to be effective:

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

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

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

5 (B) June 30, 2018.

6 (c) Continuation statement. The filing of a
7 continuation statement on or after July 1, 2013, does not
8 continue the effectiveness of the financing statement filed
9 before that date. However, upon the timely filing of a
10 continuation statement on or after July 1, 2013, and in
11 accordance with the law of the jurisdiction governing
12 perfection as provided in Article 9 as amended by the act
13 adding this part, the effectiveness of a financing statement
14 filed in the same office in that jurisdiction before July 1,
15 2013, continues for the period provided by the law of that
16 jurisdiction.

17 (d) Application of subsection (b) (2) (B) to
18 transmitting utility financing statement. Subsection (b) (2) (B)
19 applies to a financing statement that, before July 1, 2013, is
20 filed against a transmitting utility and satisfies the
21 applicable requirements for perfection under the law of the
22 jurisdiction governing perfection as provided in Article 9 as
23 it existed before the amendment by the act adding this part,
24 only to the extent that Article 9 as amended by the act adding
25 this part provides that the law of a jurisdiction other than
26 the jurisdiction in which the financing statement is filed

1 governs perfection of a security interest in collateral
2 covered by the financing statement.

3 (e) Application of Part 5. A financing statement
4 that includes a financing statement filed before July 1, 2013,
5 and a continuation statement filed on or after July 1, 2013,
6 is effective only to the extent that it satisfies the
7 requirements of Part 5 as amended by the act adding this part
8 for an initial financing statement. A financing statement that
9 indicates that the debtor is a decedent's estate indicates
10 that the collateral is being administered by a personal
11 representative within the meaning of Section 7-9A-503(a)(2) as
12 amended by the act adding this part. A financing statement
13 that indicates that the debtor is a trust or is a trustee
14 acting with respect to property held in trust indicates that
15 the collateral is held in a trust within the meaning of
16 Section 7-9A-503(a)(3) as amended by the act adding this part.

17 §7-9A-806. When Initial Financing Statement Suffices
18 To Continue Effectiveness of Financing Statement.

19 (a) Initial financing statement in lieu of
20 continuation statement. The filing of an initial financing
21 statement in the office specified in Section 7-9A-501
22 continues the effectiveness of a financing statement filed
23 before July 1, 2013:

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

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

3 (3) the initial financing statement satisfies
4 subsection (c).

5 (b) Period of continued effectiveness. The filing of
6 an initial financing statement under subsection (a) continues
7 the effectiveness of the pre-effective-date financing
8 statement:

9 (1) if the initial financing statement is filed
10 before July 1, 2013, for the period provided in Section
11 7-9A-515 prior to amendment by the act adding this part with
12 respect to an initial financing statement; and

13 (2) if the initial financing statement is filed on
14 or after July 1, 2013, for the period provided in Section
15 7-9A-515 as amended by the act adding this part with respect
16 to an initial financing statement.

17 (c) Requirements for initial financing statement
18 under subsection (a). To be effective for purposes of
19 subsection (a), an initial financing statement must:

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

22 (2) identify the pre-effective-date financing
23 statement by indicating the office in which the financing
24 statement was filed and providing the dates of filing and file
25 numbers, if any, of the financing statement and of the most
26 recent continuation statement filed with respect to the
27 financing statement; and

1 (3) indicate that the pre-effective-date financing
2 statement remains effective.

3 §7-9A-807. Amendment Of Pre-Effective-Date Financing
4 Statement.

5 (a) "Pre-effective-date financing statement." In
6 this section, "pre-effective-date financing statement" means a
7 financing statement filed before July 1, 2013.

8 (b) Applicable law. On or after July 1, 2013, a
9 person may add or delete collateral covered by, continue or
10 terminate the effectiveness of, or otherwise amend the
11 information provided in, a pre-effective-date financing
12 statement only in accordance with the law of the jurisdiction
13 governing perfection as provided in Article 9 as amended by
14 the act adding this part. However, the effectiveness of a
15 pre-effective-date financing statement also may be terminated
16 in accordance with the law of the jurisdiction in which the
17 financing statement is filed.

18 (c) Method of amending: general rule. Except as
19 otherwise provided in subsection (d), if the law of this state
20 governs perfection of a security interest, the information in
21 a pre-effective-date financing statement may be amended on or
22 after July 1, 2013:

23 (1) the pre-effective-date financing statement and
24 an amendment are filed in the office specified in Section
25 7-9A-501.

26 (2) an amendment is filed in the office specified in
27 Section 7-9A-501 concurrently with, or after the filing in

1 that office of, an initial financing statement that satisfies
2 Section 7-9A-806(c); or

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

6 (d) Method of amending: continuation. If the law of
7 this state governs perfection of a security interest, the
8 effectiveness of a pre-effective-date financing statement may
9 be continued only under Section 7-9A-805(c) and (e) or
10 7-9A-806.

11 (e) Method of amending: additional termination rule.
12 Whether or not the law of this state governs perfection of a
13 security interest, the effectiveness of a pre-effective-date
14 financing statement filed in this state may be terminated on
15 or after July 1, 2013, by filing a termination statement in
16 the office in which the pre-effective-date financing statement
17 is filed, unless an initial financing statement that satisfies
18 Section 7-9A-806(c) has been filed in the office specified by
19 the law of the jurisdiction governing perfection as provided
20 in Article 9 as amended by the act adding this part as the
21 office in which to file a financing statement.

22 §7-9A-808. Person Entitled To File Initial Financing
23 Statement Or Continuation Statement.

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

26 (1) the secured party of record authorizes the
27 filing; and

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

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

4 (B) to perfect or continue the perfection of a
5 security interest.

6 §7-9A-809. Priority.

7 The act adding this part determines the priority of
8 conflicting claims to collateral. However, if the relative
9 priorities of the claims were established before July 1, 2013,
10 Article 9 as it existed before amendment by the act adding
11 this part determines priority.

12 Section 3. This act shall become effective July 1,
13 2013, following its passage and approval by the Governor, or
14 its otherwise becoming law.