

1 AN ACT relating to the Uniform Commercial Code.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 355.1-201 is amended to read as follows:

- 4 (1) Unless the context otherwise requires, words or phrases defined in this section, or in  
5 the additional definitions contained in other articles of ~~the Uniform~~ ***this chapter***  
6 ~~Commercial Code~~ that apply to particular articles or parts thereof, have the  
7 meanings stated.
- 8 (2) Subject to definitions contained in other articles of ~~the Uniform~~ ***this chapter***  
9 ~~Commercial Code~~ that apply to particular articles or parts thereof:
- 10 (a) "Action," in the sense of a judicial proceeding, includes recoupment,  
11 counterclaim, set-off, suit in equity, and any other proceeding in which rights  
12 are determined;
- 13 (b) "Aggrieved party" means a party entitled to pursue a remedy;
- 14 (c) "Agreement," as distinguished from "contract," means the bargain of the  
15 parties in fact, as found in their language or inferred from other  
16 circumstances, including course of performance, course of dealing, or usage  
17 of trade as provided in KRS 355.1-303;
- 18 (d) "Bank" means a person engaged in the business of banking and includes a  
19 savings bank, savings and loan association, credit union, and trust company;
- 20 (e) "Bearer" means a person in control of a negotiable electronic document of  
21 title or a person in possession of a negotiable instrument, a negotiable tangible  
22 document of title, or certificated security that is payable to bearer or indorsed  
23 in blank;
- 24 (f) 1. "Bill of lading" means a document of title evidencing the receipt of  
25 goods for shipment issued by a person engaged in the business of  
26 directly or indirectly transporting or forwarding goods.
- 27 2. The term does not include a warehouse receipt;

- 1 (g) "Branch" includes a separately incorporated foreign branch of a bank;
- 2 (h) "Burden of establishing" a fact means the burden of persuading the trier of  
3 fact that the existence of the fact is more probable than its nonexistence;
- 4 (i) 1. "Buyer in ordinary course of business" means a person that buys goods  
5 in good faith, without knowledge that the sale violates the rights of  
6 another person in the goods, and in the ordinary course from a person,  
7 other than a pawnbroker, in the business of selling goods of that kind.
- 8 2. A person buys goods in the ordinary course if the sale to the person  
9 comports with the usual or customary practices in the kind of business in  
10 which the seller is engaged or with the seller's own usual or customary  
11 practices.
- 12 3. A person that sells oil, gas, or other minerals at the wellhead or  
13 minehead is a person in the business of selling goods of that kind.
- 14 4. A buyer in ordinary course of business may buy for cash, by exchange  
15 of other property, or on secured or unsecured credit, and may acquire  
16 goods or documents of title under a preexisting contract for sale.
- 17 5. Only a buyer that takes possession of the goods or has a right to recover  
18 the goods from the seller under Article 2 of this chapter may be a buyer  
19 in ordinary course of business.
- 20 6. "Buyer in ordinary course of business" does not include a person that  
21 acquires goods in a transfer in bulk or as security for or in total or partial  
22 satisfaction of a money debt;
- 23 (j) 1. "Conspicuous," with reference to a term, means so written, displayed, or  
24 presented that, **based on the totality of the circumstances,** a reasonable  
25 person against which it is to operate ought to have noticed it.
- 26 2. Whether a term is "conspicuous" or not is a decision for the court.  
27 ~~Conspicuous terms include the following:~~

- 1           1. ~~A heading in capitals equal to or greater in size than the surrounding~~  
 2           ~~text, or in contrasting type, font, or color to the surrounding text of the~~  
 3           ~~same or lesser size; and~~
- 4           2. ~~Language in the body of a record or display in larger type than the~~  
 5           ~~surrounding text, or in contrasting type, font, or color to the surrounding~~  
 6           ~~text of the same size, or set off from surrounding text of the same size~~  
 7           ~~by symbols or other marks that call attention to the language];~~
- 8           (k) "Consumer" means an individual who enters into a transaction primarily for  
 9           personal, family, or household purposes;
- 10          (l) "Contract," as distinguished from "agreement," means the total legal  
 11          obligation that results from the parties' agreement as determined by *this*  
 12          ~~*chapter*~~~~[the Uniform Commercial Code]~~ as supplemented by any other  
 13          applicable laws;
- 14          (m) "Creditor" includes a general creditor, a secured creditor, a lien creditor, and  
 15          any representative of creditors, including an assignee for the benefit of  
 16          creditors, a trustee in bankruptcy, a receiver in equity, and an executor or  
 17          administrator of an insolvent debtor's or assignor's estate;
- 18          (n) "Defendant" includes a person in the position of defendant in a counterclaim,  
 19          cross-claim, or third-party claim;
- 20          (o) "Delivery~~[,]~~":
- 21            1. With respect to an electronic document of title, means voluntary transfer  
 22            of control; and
- 23            2. With respect to an instrument, *a tangible* document of title, or *an*  
 24            *authoritative tangible copy of a record evidencing* chattel paper, means  
 25            voluntary transfer of possession;
- 26          (p) 1. "Document of title" means a record that:  
 27            a.~~[1.]~~In the regular course of business or financing is treated as

1 adequately evidencing that the person in possession or control of  
 2 the record is entitled to receive, control, hold, and dispose of the  
 3 record and the goods the record covers; and

4 b.~~[2.]~~ Purports to be issued by or addressed to a bailee and to cover  
 5 goods in the bailee's possession which are either identified or are  
 6 fungible portions of an identified mass.

7 2. The term includes a bill of lading, transport document, dock warrant,  
 8 dock receipt, warehouse receipt, and order for delivery of goods.

9 3. An electronic document of title is evidenced by a record consisting of  
 10 information stored in an electronic medium.

11 4. A tangible document of title is evidenced by a record consisting of  
 12 information that is inscribed on a tangible medium;

13 (q) "Electronic" means relating to technology having electrical, digital,  
 14 magnetic, wireless, optical, electromagnetic, or similar capabilities;

15 (r) "Fault" means a default, breach, or wrongful act or omission;

16 (s)~~[(r)]~~ "Fungible goods" means:

17 1. Goods of which any unit, by nature or usage of trade, is the equivalent  
 18 of any other like unit; or

19 2. Goods that by agreement are treated as equivalent;

20 (t)~~[(s)]~~ "Genuine" means free of forgery or counterfeiting;

21 (u)~~[(t)]~~ "Good faith," except as otherwise provided in Article 5 of this chapter,  
 22 means honesty in fact and the observance of reasonable commercial standards  
 23 of fair dealing;

24 (v)~~[(u)]~~ "Holder" means:

25 1. The person in possession of a negotiable instrument that is payable  
 26 either to bearer or to an identified person that is the person in  
 27 possession;

1           2. The person in possession of a **negotiable tangible** document of title if  
2           the goods are deliverable either to bearer or to the order of the person in  
3           possession; or

4           3. ~~The~~<sup>[A]</sup> person in control, **other than pursuant to subsection (7) of**  
5           **Section 36 of this Act,** of a negotiable electronic document of title;

6           ~~(w)~~<sup>[(v)]</sup> "Insolvency proceeding" includes an assignment for the benefit of  
7           creditors or other proceeding intended to liquidate or rehabilitate the estate of  
8           the person involved;

9           ~~(x)~~<sup>[(w)]</sup> "Insolvent" means:

10           1. Having generally ceased to pay debts in the ordinary course of business  
11           other than as a result of bona fide dispute;

12           2. Being unable to pay debts as they become due; or

13           3. Being insolvent within the meaning of federal bankruptcy law;

14           ~~(y)~~<sup>[(x)]</sup> **1.** "Money" means a medium of exchange **that is** currently  
15           authorized or adopted by a domestic or foreign government.

16           **2.** The term includes a monetary unit of account established by an  
17           intergovernmental organization or by agreement between two (2) or  
18           more countries.

19           **3.** **The term does not include an electronic record that is a medium of**  
20           **exchange recorded and transferable in a system that existed and**  
21           **operated for the medium of exchange before the medium of exchange**  
22           **was authorized or adopted by the government;**

23           ~~(z)~~<sup>[(y)]</sup> "Organization" means a person other than an individual;

24           ~~(aa)~~<sup>[(z)]</sup> "Party," as distinguished from "third party," means a person that has  
25           engaged in a transaction or made an agreement subject to **this chapter**~~the~~  
26           ~~Uniform Commercial Code~~];

27           ~~(ab)~~<sup>[(aa)]</sup> **1.** "Person" means an individual, corporation, business trust, estate,

1 trust, partnership, limited liability company, association, joint venture,  
2 government, governmental subdivision, agency, or instrumentality,  
3 ~~[public corporation,]~~ or any other legal or commercial entity.

4 **2. The term includes a protected series, however denominated, of an**  
5 **entity if the protected series is established under law other than this**  
6 **chapter that limits, or limits if conditions specified under the law are**  
7 **satisfied, the ability of a creditor of the entity or of any other protected**  
8 **series of the entity to satisfy a claim from assets of the protected series;**

9 **(ac)**~~[(ab)]~~ "Present value" means the amount as of a date certain of one (1) or more  
10 sums payable in the future, discounted to the date certain by use of either an  
11 interest rate specified by the parties if that rate is not manifestly unreasonable  
12 at the time the transaction is entered into or, if an interest rate is not so  
13 specified, a commercially reasonable rate that takes into account the facts and  
14 circumstances at the time the transaction is entered into;

15 **(ad)**~~[(ae)]~~ "Purchase" means taking by sale, lease, discount, negotiation, mortgage,  
16 pledge, lien, security interest, issue or reissue, gift, or any other voluntary  
17 transaction creating an interest in property;

18 **(ae)**~~[(ad)]~~ "Purchaser" means a person that takes by purchase;

19 **(af)**~~[(ae)]~~ "Record" means information that is inscribed on a tangible medium or  
20 that is stored in an electronic or other medium and is retrievable in  
21 perceivable form;

22 **(ag)**~~[(af)]~~ "Remedy" means any remedial right to which an aggrieved party is  
23 entitled with or without resort to a tribunal;

24 **(ah)**~~[(ag)]~~ "Representative" means a person empowered to act for another,  
25 including an agent, an officer of a corporation or association, and a trustee,  
26 executor, or administrator of an estate;

27 **(ai)**~~[(ah)]~~ "Right" includes remedy;

1            ~~(aj)~~~~(ai)~~ 1. "Security interest" means an interest in personal property or  
2            fixtures which secures payment or performance of an obligation.

3            2. The term~~["Security interest"]~~ includes any interest of a consignor and a  
4            buyer of accounts, chattel paper, a payment intangible, or a promissory  
5            note in a transaction that is subject to Article 9 of this chapter.

6            3. The term~~["Security interest"]~~ does not include the special property  
7            interest of a buyer of goods on identification of those goods to a contract  
8            for sale under KRS 355.2-401, but a buyer may also acquire a "security  
9            interest" by complying with Article 9 of this chapter.

10          4. Except as otherwise provided in KRS 355.2-505, the right of a seller or  
11          lessor of goods under Article 2 or 2A of this chapter to retain or acquire  
12          possession of the goods is not a "security interest," but a seller or lessor  
13          may also acquire a "security interest" by complying with Article 9 of  
14          this chapter.

15          5. The retention or reservation of title by a seller of goods notwithstanding  
16          shipment or delivery to the buyer under KRS 355.2-401 is limited in  
17          effect to a reservation of a "security interest."

18          6. Whether a transaction in the form of a lease creates a "security interest"  
19          is determined pursuant to KRS 355.1-203;

20          ~~(ak)~~~~(aj)~~ "Send," in connection with a ~~writing,~~ record~~,~~ or notification,~~notice~~  
21          means:

22          1. To deposit in the mail,~~or~~ deliver for transmission, or transmit by any  
23          other usual means of communication, with postage or cost of  
24          transmission provided for, addressed~~and properly addressed and, in the~~  
25          ~~case of an instrument, to an address specified thereon or otherwise~~  
26          ~~agreed, or if there be none~~ to any address reasonable under the  
27          circumstances; or

1           2. To cause the record or notification to be received within the time it  
 2           would have been received if properly sent under subparagraph 1. of  
 3           this paragraph~~[In any other way to cause to be received any record or~~  
 4           notice within the time it would have arrived if properly sent];

5           ~~(al)~~~~(ak)~~ 1. "Sign~~[Signed]~~" means, with present intent to authenticate or  
 6           adopt a record:

7           a. Execute or adopt a tangible symbol; or

8           b. Attach to or logically associate with the record an electronic  
 9           symbol, sound, or process.

10           2. "Signed," "signing," and "signature" have corresponding  
 11           meanings~~[includes using any symbol executed or adopted with present~~  
 12           intention to adopt or accept a writing];

13           ~~(am)~~~~(al)~~ "State" means a State of the United States, the District of Columbia,  
 14           Puerto Rico, the United States Virgin Islands, or any territory or insular  
 15           possession subject to the jurisdiction of the United States;

16           ~~(an)~~~~(am)~~ "Surety" includes a guarantor or other secondary obligor;

17           ~~(ao)~~~~(an)~~ "Term" means a portion of an agreement that relates to a particular  
 18           matter;

19           ~~(ap)~~~~(ao)~~ 1. "Unauthorized signature" means a signature made without actual,  
 20           implied, or apparent authority.

21           2. The term includes a forgery;

22           ~~(aq)~~~~(ap)~~ "Warehouse receipt" means a document of title issued by a person  
 23           engaged in the business of storing goods for hire; and

24           ~~(ar)~~~~(aq)~~ 1. "Writing" includes printing, typewriting, or any other intentional  
 25           reduction to tangible form.

26           2. "Written" has a corresponding meaning.

27           ➔Section 2. KRS 355.1-204 is amended to read as follows:



1 Except as otherwise provided in Articles 3, 4, ~~and~~ 5, and 12 of this chapter, a person  
2 gives value for rights if the person acquires them:

- 3 (1) In return for a binding commitment to extend credit or for the extension of  
4 immediately available credit, whether or not drawn upon and whether or not a  
5 charge-back is provided for in the event of difficulties in collection;
- 6 (2) As security for, or in total or partial satisfaction of, a preexisting claim;
- 7 (3) By accepting delivery under a preexisting contract for purchase; or
- 8 (4) In return for any consideration sufficient to support a simple contract.

9 ➔Section 3. KRS 355.1-301 is amended to read as follows:

10 (1) This section applies to a transaction to the extent that it is governed by another  
11 article of this chapter~~[the Uniform Commercial Code]~~.

12 (2) Except as otherwise provided in this section, when a transaction bears a reasonable  
13 relation to this state and also to another state or nation, the parties may agree that  
14 the law of either this state or such other state or nation shall govern their rights and  
15 duties.

16 (3) In the absence of an agreement effective under subsection (2) of this section, the  
17 rights and obligations of the parties are determined by the law that would be  
18 selected by application of this state's conflict-of-laws principles.

19 (4) To the extent that this chapter~~[the Uniform Commercial Code]~~ governs a  
20 transaction, if one (1) of the following provisions of this chapter~~[the Uniform  
21 Commercial Code]~~ specifies the applicable law, that provision governs and a  
22 contrary agreement is effective only to the extent permitted by the law so specified:

- 23 (a) KRS 355.2-402;
- 24 (b) KRS 355.2A-105 and 355.2A-106;
- 25 (c) KRS 355.4-102;
- 26 (d) KRS 355.4A-507;
- 27 (e) KRS 355.5-116;

- 1 (f) KRS 355.8-110;  
 2 (g) KRS 355.9-301 to 355.9-307; or  
 3 (h) Section 98 of this Act.

4 ➔Section 4. KRS 355.1-306 is amended to read as follows:

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

8 ➔SECTION 5. KRS 355.2-102 IS REPEALED AND REENACTED TO READ  
 9 AS FOLLOWS:

10 (1) Unless the context otherwise requires, and except as provided in subsection (3) of  
 11 this section, this article applies to transactions in goods and, in the case of a  
 12 hybrid transaction, it applies to the extent provided in subsection (2) of this  
 13 section.

14 (2) In a hybrid transaction:

15 (a) If the sale-of-goods aspects do not predominate, only the provisions of this  
 16 article which relate primarily to the sale-of-goods aspects of the transaction  
 17 apply, and the provisions that relate primarily to the transaction as a whole  
 18 do not apply; and

19 (b) If the sale-of-goods aspects predominate, this article applies to the  
 20 transaction but does not preclude application in appropriate circumstances  
 21 of other law to aspects of the transaction which do not relate to the sale of  
 22 goods.

23 (3) This article does not:

24 (a) Apply to a transaction that, even though in the form of an unconditional  
 25 contract to sell or present sale, operates only to create a security interest; or

26 (b) Impair or repeal any statute regulating sales to consumers, farmers, or  
 27 other specified classes of buyers.

1           ➔Section 6. KRS 355.2-106 is amended to read as follows:

- 2       (1) In this article, unless the context otherwise requires:
- 3           (a) "Contract" and "agreement" are limited to those relating to the present or  
4           future sale of goods;~~[-]~~
- 5           (b) "Contract for sale" includes both a present sale of goods and a contract to sell  
6           goods at a future time;~~[-]~~
- 7           (c) A "sale" consists in the passing of title from the seller to the buyer for a price  
8           (KRS 355.2-401); ~~and~~~~[-]~~
- 9           (d) A "present sale" means a sale which is accomplished by the making of the  
10          contract.
- 11       (2) Goods or conduct, including any part of a performance, are "conforming" or  
12       conform to the contract when they are in accordance with the obligations under the  
13       contract.
- 14       (3) (a) "Termination" occurs when either party, pursuant to a power created by  
15       agreement or law, puts an end to the contract otherwise than for its breach.
- 16       (b) On "termination," all obligations which are still executory on both sides are  
17       discharged, but any right based on prior breach or performance survives.
- 18       (4) "Cancellation" occurs when either party puts an end to the contract for breach by  
19       the other and its effect is the same as that of "termination," except that the canceling  
20       party also retains any remedy for breach of the whole contract or any unperformed  
21       balance.
- 22       **(5) "Hybrid transaction" means a single transaction involving a sale of goods and:**
- 23           **(a) The provision of services;**
- 24           **(b) A lease of other goods; or**
- 25           **(c) A sale, lease, or license of property other than goods.**

26           ➔Section 7. KRS 355.2-201 is amended to read as follows:

- 27       (1) Except as otherwise provided in this section, a contract for the sale of goods for the

1 price of **five hundred dollars** (\$500) or more is not enforceable by way of action or  
 2 defense unless there is **a record**~~[some writing]~~ sufficient to indicate that a contract  
 3 for sale has been made between the parties and signed by the party against whom  
 4 enforcement is sought or by **the party's**~~[his]~~ authorized agent or broker. A  
 5 **record**~~[writing]~~ is not insufficient because it omits or incorrectly states a term  
 6 agreed upon, but the contract is not enforceable under this **subsection**~~[paragraph]~~  
 7 beyond the quantity of goods shown in **the record**~~[such writing]~~.

8 (2) Between merchants, if within a reasonable time a **record**~~[writing]~~ in confirmation of  
 9 the contract and sufficient against the sender is received and the party receiving it  
 10 has reason to know its contents, it satisfies the requirements of subsection (1) **of**  
 11 **this section** against **the**~~[such]~~ party unless~~[written]~~ notice **in a record** of objection  
 12 to its contents is given within ten (10) days after it is received.

13 (3) A contract which does not satisfy the requirements of subsection (1) **of this section**  
 14 but which is valid in other respects is enforceable:

15 (a) If the goods are to be specially manufactured for the buyer and are not  
 16 suitable for sale to others in the ordinary course of the seller's business and the  
 17 seller, before notice of repudiation is received and under circumstances which  
 18 reasonably indicate that the goods are for the buyer, has made either a  
 19 substantial beginning of their manufacture or commitments for their  
 20 procurement;~~[or]~~

21 (b) If the party against whom enforcement is sought admits in **that party's**~~[his]~~  
 22 pleading **or**~~[,]~~ testimony, or otherwise, in court that a contract for sale was  
 23 made, but the contract is not enforceable under this provision beyond the  
 24 quantity of goods admitted; or

25 (c) With respect to goods for which payment has been made and accepted or  
 26 which have been received and accepted (KRS 355.2-606).

27 ➔Section 8. KRS 355.2-202 is amended to read as follows:

1 Terms with respect to which the confirmatory memoranda of the parties agree or which  
2 are otherwise set forth in a record~~[writing]~~ intended by the parties as a final expression of  
3 their agreement with respect to such terms as are included therein may not be  
4 contradicted by evidence of any prior agreement or of a contemporaneous oral agreement  
5 but may be explained or supplemented:

6 (1) By course of performance, course of dealing, or usage of trade (KRS 355.1-303);  
7 and

8 (2) By evidence of consistent additional terms unless the court finds the  
9 record~~[writing]~~ to have been intended also as a complete and exclusive statement of  
10 the terms of the agreement.

11 ➔Section 9. KRS 355.2-203 is amended to read as follows:

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

15 ➔Section 10. KRS 355.2-205 is amended to read as follows:

16 An offer by a merchant to buy or sell goods in a signed record~~[writing]~~ which by its  
17 terms gives assurance that it will be held open is not revocable, for lack of consideration,  
18 during the time stated or if no time is stated, for a reasonable time, but in no event may  
19 such period of irrevocability exceed three (3) months~~[-]~~ and~~[but]~~ any such term of  
20 assurance on a form supplied by the offeree must be separately signed by the offeror.

21 ➔Section 11. KRS 355.2-209 is amended to read as follows:

22 (1) An agreement modifying a contract within this article needs no consideration to be  
23 binding.

24 (2) A signed agreement that~~[which]~~ excludes modification or rescission except by a  
25 signed writing or other signed record cannot be otherwise modified or rescinded,  
26 but, except as between merchants, such a requirement on a form supplied by the  
27 merchant must be separately signed by the other party.

1 (3) The requirements of the statute of frauds section of this article (KRS 355.2-201)  
2 must be satisfied if the contract as modified is within its provisions.

3 (4) Although an attempt at modification or rescission does not satisfy the requirements  
4 of subsection (2) or (3) **of this section**, it can operate as a waiver.

5 (5) A party who has made a waiver affecting an executory portion of the contract may  
6 retract the waiver by reasonable notification received by the other party that strict  
7 performance will be required of any term waived, unless the retraction would be  
8 unjust in view of a material change of position in reliance on the waiver.

9 ➔Section 12. KRS 355.2A-102 is amended to read as follows:

10 **(1)** This article applies to any transaction, regardless of form, that creates a lease **and,**  
11 **in the case of a hybrid lease, it applies to the extent provided in subsection (2) of**  
12 **this section.**

13 **(2) In a hybrid lease:**

14 **(a) If the lease-of-goods aspects do not predominate:**

15 **1. Only the provisions of this article which relate primarily to the lease-**  
16 **of-goods aspects of the transaction apply, and the provisions that**  
17 **relate primarily to the transaction as a whole do not apply;**

18 **2. KRS 355.2A-209 applies if the lease is a finance lease; and**

19 **3. KRS 355.2A-407 applies to the promises of the lessee in a finance**  
20 **lease to the extent the promises are consideration for the right to**  
21 **possession and use of the leased goods; and**

22 **(b) If the lease-of-goods aspects predominate, this article applies to the**  
23 **transaction, but does not preclude application in appropriate circumstances**  
24 **of other law to aspects of the lease which do not relate to the lease of goods.**

25 ➔Section 13. KRS 355.2A-103 is amended to read as follows:

26 (1) In this article, unless the context otherwise requires:

27 (a) **1.** "Buyer in ordinary course of business" means a person who, in good

1           faith and without knowledge that the sale to the person~~[him]~~ is in  
2           violation of the ownership rights or security interest or leasehold interest  
3           of a third party in the goods, buys in ordinary course from a person in  
4           the business of selling goods of that kind but does not include a  
5           pawnbroker.

6           2. "Buying" may be for cash or by exchange of other property or on  
7           secured or unsecured credit and includes receiving goods or documents  
8           of title under a pre-existing contract for sale but does not include a  
9           transfer in bulk or as security for or in total or partial satisfaction of a  
10          money debt;

11          (b) "Cancellation" occurs when either party puts an end to the lease contract for  
12          default by the other party;

13          (c) 1. "Commercial unit" means such a unit of goods as by commercial usage  
14          is a single whole for purposes of lease and division of which materially  
15          impairs its character or value on the market or in use.

16          2. A commercial unit may be a single article, as a machine, or a set of  
17          articles, as a suite of furniture or a line of machinery, or a quantity, as a  
18          gross or carload, or any other unit treated in use or in the relevant  
19          market as a single whole;

20          (d) "Conforming" goods or performance under a lease contract means goods or  
21          performance that are in accordance with the obligations under the lease  
22          contract;

23          (e) "Consumer lease" means a lease that a lessor regularly engaged in the  
24          business of leasing or selling makes to a lessee who is an individual and who  
25          takes under the lease primarily for a personal, family, or household purpose;

26          (f) "Fault" means wrongful act, omission, breach, or default;

27          (g) "Finance lease" means a lease with respect to which:

- 1           1.    The lessor does not select, manufacture, or supply the goods;
- 2           2.    The lessor acquires the goods or the right to possession and use of the
- 3                 goods in connection with the lease; and
- 4           3.    One (1) of the following occurs:
- 5                 a.    The lessee receives a copy of the contract by which the lessor
- 6                         acquired the goods or the right to possession and use of the goods
- 7                         before signing the lease contract;
- 8                 b.    The lessee's approval of the contract by which the lessor acquired
- 9                         the goods or the right to possession and use of the goods is a
- 10                         condition to effectiveness of the lease contract;
- 11                 c.    The lessee, before signing the lease contract, receives an accurate
- 12                         and complete statement designating the promises and warranties,
- 13                         and any disclaimers of warranties, limitations, or modifications of
- 14                         remedies, or liquidated damages, including those of a third party,
- 15                         such as the manufacturer of the goods, provided to the lessor by
- 16                         the person supplying the goods in connection with or as part of the
- 17                         contract by which the lessor acquired the goods or the right to
- 18                         possession and use of the goods; or
- 19                 d.    If the lease is not a consumer lease, the lessor, before the lessee
- 20                         signs the lease contract, informs the lessee in writing: ~~[(a)]~~
- 21                         *i.*    Of the identity of the person supplying the goods to the
- 22                         lessor, unless the lessee has selected that person and directed
- 23                         the lessor to acquire the goods or the right to possession and
- 24                         use of the goods from that person; ~~[(b)]~~
- 25                         *ii.*   That the lessee is entitled under this article to the promises
- 26                         and warranties, including those of any third party, provided
- 27                         to the lessor by the person supplying the goods in connection



1 with or as part of the contract by which the lessor acquired  
2 the goods or the right to possession and use of the goods;~~[-]~~  
3 and~~[-(e)-]~~

4 **iii.** That the lessee may communicate with the person supplying  
5 the goods to the lessor and receive an accurate and complete  
6 statement of those promises and warranties, including any  
7 disclaimers and limitations of them or of remedies;

8 (h) **1.** "Goods" means all things that are movable at the time of identification  
9 to the lease contract, or are fixtures (KRS 355.2A-309), but the term  
10 does not include money, documents, instruments, accounts, chattel  
11 paper, general intangibles, or minerals or the like, including oil and gas,  
12 before extraction.

13 **2.** The term also includes the unborn young of animals;

14 (i) **"Hybrid lease" means a single transaction involving a lease of goods and:**

15 **1. The provision of services;**

16 **2. A sale of other goods; or**

17 **3. A sale, lease, or license of property other than goods;**

18 **(j)** "Installment lease contract" means a lease contract that authorizes or requires  
19 the delivery of goods in separate lots to be separately accepted, even though  
20 the lease contract contains a clause "each delivery is a separate lease" or its  
21 equivalent;

22 ~~(k)~~~~(j)~~ **1.** "Lease" means a transfer of the right to possession and use of  
23 goods for a term in return for consideration, but a sale, including a sale  
24 on approval or a sale or return, or retention or creation of a security  
25 interest is not a lease.

26 **2.** Unless the context clearly indicates otherwise, the term includes a  
27 sublease;

1            ~~(l)~~~~(k)~~    **1.**    "Lease agreement" means the bargain, with respect to the lease, of  
2                            the lessor and the lessee in fact as found in their language or by  
3                            implication from other circumstances including course of dealing or  
4                            usage of trade or course of performance as provided in this article.

5                    **2.**    Unless the context clearly indicates otherwise, the term includes a  
6                            sublease agreement;

7            ~~(m)~~~~(l)~~    **1.**    "Lease contract" means the total legal obligation that results from  
8                            the lease agreement as affected by this article and any other applicable  
9                            rules of law.

10                   **2.**    Unless the context clearly indicates otherwise, the term includes a  
11                           sublease contract;

12           ~~(n)~~~~(m)~~    "Leasehold interest" means the interest of the lessor or the lessee under a  
13                           lease contract;

14           ~~(o)~~~~(n)~~    **1.**    "Lessee" means a person who acquires the right to possession and  
15                           use of goods under a lease.

16                   **2.**    Unless the context clearly indicates otherwise, the term includes a  
17                           sublessee;

18           ~~(p)~~~~(o)~~    **1.**    "Lessee in ordinary course of business" means a person who 2 in  
19                           good faith and without knowledge that the lease to ***the person***~~(him)~~ is in  
20                           violation of the ownership rights or security interest or leasehold interest  
21                           of a third party in the goods, 2 leases in ordinary course from a person in  
22                           the business of selling or leasing goods of that kind but does not include  
23                           a pawnbroker.

24                   **2.**    "Leasing" may be for cash or by exchange of other property or on  
25                           secured or unsecured credit and includes receiving goods or documents  
26                           of title under a pre-existing lease contract but does not include a transfer  
27                           in bulk or as security for or in total or partial satisfaction of a money

1 debt;

2 ~~(a)~~~~(p)~~ 1. "Lessor" means a person who transfers the right to possession and  
3 use of goods under a lease.

4 2. Unless the context clearly indicates otherwise, the term includes a  
5 sublessor;

6 ~~(r)~~~~(q)~~ "Lessor's residual interest" means the lessor's interest in the goods after  
7 expiration, termination, or cancellation of the lease contract;

8 ~~(s)~~~~(r)~~ "Lien" means a charge against or interest in goods to secure payment of  
9 a debt or performance of an obligation, but the term does not include a  
10 security interest;

11 ~~(t)~~~~(s)~~ "Lot" means a parcel or a single article that is the subject matter of a  
12 separate lease or delivery, whether or not it is sufficient to perform the lease  
13 contract;~~(-)~~

14 ~~(u)~~~~(t)~~ "Merchant lessee" means a lessee that is a merchant with respect to  
15 goods of the kind subject to the lease;

16 ~~(v)~~~~(u)~~ 1. "Present value" means the amount as of a date certain of one (1) or  
17 more sums payable in the future, discounted to the date certain.

18 2. The discount is determined by the interest rate specified by the parties if  
19 the rate was not manifestly unreasonable at the time the transaction was  
20 entered into; otherwise, the discount is determined by a commercially  
21 reasonable rate that takes into account the facts and circumstances of  
22 each case at the time the transaction was entered into;

23 ~~(w)~~~~(v)~~ "Purchase" includes taking by sale, lease, mortgage, security interest,  
24 pledge, gift, or any other voluntary transaction creating an interest in goods;

25 ~~(x)~~~~(w)~~ "Sublease" means a lease of goods the right to possession and use of  
26 which was acquired by the lessor as a lessee under an existing lease;

27 ~~(y)~~~~(x)~~ "Supplier" means a person from whom a lessor buys or leases goods to

1 be leased under a finance lease;

2 ~~(z)(y)~~ "Supply contract" means a contract under which a lessor buys or leases  
3 goods to be leased; and

4 ~~(aa)(z)~~ "Termination" occurs when either party pursuant to a power created by  
5 agreement or law puts an end to the lease contract otherwise than for default.

6 (2) **The following**~~Other~~ definitions **in**~~applying to~~ this article **apply to this**  
7 **article**~~and the sections in which they appear are~~:

8 (a) "Accessions." KRS 355.2A-310(1);

9 (b) "Construction mortgage." KRS 355.2A-309(1)~~(d)~~;

10 (c) "Encumbrance." KRS 355.2A-309(1)~~(e)~~;

11 (d) "Fixtures." KRS 355.2A-309(1)~~(a)~~;

12 (e) "Fixture filing." KRS 355.2A-309(1)~~(b)~~; and

13 (f) "Purchase money lease." KRS 355.2A-309(1)~~(c)~~.

14 (3) The following definitions in other articles apply to this article:

15 (a) "Account." KRS 355.9-102~~(1)(b)~~;

16 (b) "Between merchants." KRS 355.2-104~~(3)~~;

17 (c) "Buyer." KRS 355.2-103(1)~~(a)~~;

18 (d) "Chattel paper." KRS 355.9-102~~(1)(k)~~;

19 (e) "Consumer goods." KRS 355.9-102~~(1)(w)~~;

20 (f) "Document." KRS 355.9-102~~(1)(ad)~~;

21 (g) "Entrusting." KRS 355.2-403(3);

22 (h) "General intangible." KRS 355.9-102~~(1)(ap)~~;

23 (i) "Instrument." KRS 355.9-102~~(1)(au)~~;

24 (j) "Merchant." KRS 355.2-104~~(1)~~;

25 (k) "Mortgage." KRS 355.9-102~~(1)(be)~~;

26 (l) "Pursuant to commitment." KRS 355.9-102~~(1)(bq)~~;

27 (m) "Receipt." KRS 355.2-103~~(1)(e)~~;

- 1 (n) "Sale." KRS 355.2-106(1);  
 2 (o) "Sale on approval." KRS 355.2-326;  
 3 (p) "Sale or return." KRS 355.2-326; and  
 4 (q) "Seller." KRS 355.2-103~~[(1)(d)]~~.

5 (4) In addition, Article 1 ***of this chapter*** contains general definitions and principles of  
 6 construction and interpretation applicable throughout this article.

7 ➔Section 14. KRS 355.2A-107 is amended to read as follows:

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

11 ➔Section 15. KRS 355.2A-201 is amended to read as follows:

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

- 13 (a) The total payments to be made under the lease contract, excluding payments  
 14 for options to renew or buy, are less than five hundred dollars (\$500); or  
 15 (b) There is a ***record***~~writing~~, signed by the party against whom enforcement is  
 16 sought or by that party's authorized agent, sufficient to indicate that a lease  
 17 contract has been made between the parties and to describe the goods leased  
 18 and the lease term.

19 (2) Any description of leased goods or of the lease term is sufficient and satisfies  
 20 subsection (1)(b) ***of this section***, whether or not it is specific, if it reasonably  
 21 identifies what is described.

22 (3) A ***record***~~writing~~ is not insufficient because it omits or incorrectly states a term  
 23 agreed upon, but the lease contract is not enforceable under subsection (1)(b) ***of this***  
 24 ***section*** beyond the lease term and the quantity of goods shown in the  
 25 ***record***~~writing~~.

26 (4) A lease contract that does not satisfy the requirements of subsection (1) ***of this***  
 27 ***section***, but which is valid in other respects, is enforceable:

- 1 (a) If the goods are to be specially manufactured or obtained for the lessee and  
 2 are not suitable for lease or sale to others in the ordinary course of the lessor's  
 3 business, and the lessor, before notice of repudiation is received and under  
 4 circumstances that reasonably indicate that the goods are for the lessee, has  
 5 made either a substantial beginning of their manufacture or commitments for  
 6 their procurement;
- 7 (b) If the party against whom enforcement is sought admits in that party's  
 8 pleading or testimony, or otherwise, in court that a lease contract was made,  
 9 but the lease contract is not enforceable under this provision beyond the  
 10 quantity of goods admitted; or
- 11 (c) With respect to goods that have been received and accepted by the lessee.
- 12 (5) The lease term under a lease contract referred to in subsection (4) ***of this section*** is:
- 13 (a) If there is a record ~~[writing]~~ signed by the party against whom enforcement is  
 14 sought or by that party's authorized agent specifying the lease term, the term  
 15 so specified;
- 16 (b) If the party against whom enforcement is sought admits in that party's  
 17 pleading or testimony, or otherwise, in court a lease term, the term so  
 18 admitted; or
- 19 (c) A reasonable lease term.

20 ➔Section 16. KRS 355.2A-202 is amended to read as follows:

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

- 26 (1) By course of dealing or usage of trade or by course of performance; and  
 27 (2) By evidence of consistent additional terms unless the court finds the

1        ~~record~~~~[writing]~~ to have been intended also as a complete and exclusive statement of  
2        the terms of the agreement.

3        ➔Section 17. KRS 355.2A-203 is amended to read as follows:

4        The affixing of a seal to a ~~record~~~~[writing]~~ evidencing a lease contract or an offer to enter  
5        into a lease contract does not render the ~~record~~~~[writing]~~ a sealed instrument and the law  
6        with respect to sealed instruments does not apply to the lease contract or offer.

7        ➔Section 18. KRS 355.2A-205 is amended to read as follows:

8        An offer by a merchant to lease goods to or from another person in a signed  
9        ~~record~~~~[writing]~~ that by its terms gives assurance it will be held open is not revocable, for  
10       lack of consideration, during the time stated or~~[-]~~ if no time is stated, for a reasonable  
11       time, but in no event may the period of irrevocability exceed three (3) months ~~and~~~~[-]~~ any  
12       such term of assurance on a form supplied by the offeree must be separately signed by the  
13       offeror.

14       ➔Section 19. KRS 355.2A-208 is amended to read as follows:

- 15       (1) An agreement modifying a lease contract needs no consideration to be binding.
- 16       (2) A signed lease agreement that excludes modification or rescission except by a  
17       signed ~~record cannot~~~~[writing may not]~~ be otherwise modified or rescinded, but,  
18       except as between merchants, such a requirement on a form supplied by a merchant  
19       must be separately signed by the other party.
- 20       (3) Although an attempt at modification or rescission does not satisfy the requirements  
21       of subsection (2) ***of this section***, it may operate as a waiver.
- 22       (4) A party who has made a waiver affecting an executory portion of a lease contract  
23       may retract the waiver by reasonable notification received by the other party that  
24       strict performance will be required of any term waived, unless the retraction would  
25       be unjust in view of a material change of position in reliance on the waiver.

26       ➔Section 20. KRS 355.3-104 is amended to read as follows:

- 27       (1) Except as provided in subsections (3) and (4) of this section, "negotiable

1 instrument" means an unconditional promise or order to pay a fixed amount of  
2 money, with or without interest or other charges described in the promise or order,  
3 if it:

4 (a) Is payable to bearer or to order at the time it is issued or first comes into  
5 possession of a holder;

6 (b) Is payable on demand or at a definite time; and

7 (c) Does not state any other undertaking or instruction by the person promising or  
8 ordering payment to do any act in addition to the payment of money, but the  
9 promise or order may contain:

10 1. An undertaking or power to give, maintain, or protect collateral to  
11 secure payment;

12 2. An authorization or power to the holder to confess judgment or realize  
13 on or dispose of collateral;~~or~~

14 3. A waiver of the benefit of any law intended for the advantage or  
15 protection of an obligor;

16 **4. A term that specifies the law that governs the promise or order; or**

17 **5. An undertaking to resolve in a specified forum a dispute concerning**  
18 **the promise or order.**

19 (2) "Instrument" means a negotiable instrument.

20 (3) An order that meets all of the requirements of subsection (1) of this section, except  
21 paragraph (a) of that subsection, and otherwise falls within the definition of "check"  
22 in subsection (6) of this section is a negotiable instrument and a check.

23 (4) A promise or order other than a check is not an instrument if, at the time it is issued  
24 or first comes into possession of a holder, it contains a conspicuous statement,  
25 however expressed, to the effect that the promise or order is not negotiable or is not  
26 an instrument governed by this article.

27 (5) **(a)** An instrument is a "note" if it is a promise and is a "draft" if it is an order.



1       **(b)** If an instrument falls within the definition of both "note" and "draft," a person  
2       entitled to enforce the instrument may treat it as either.

3       (6) **(a)** "Check" means:

4       ~~1.(a)~~ A draft, other than a documentary draft, payable on demand and  
5       drawn on a bank; or

6       ~~2.(b)~~ A cashier's check or teller's check.

7       **(b)** An instrument may be a check even though it is described on its face by  
8       another term, such as "money order."

9       (7) "Cashier's check" means a draft with respect to which the drawer and drawee are  
10      the same bank or branches of the same bank.

11      (8) "Teller's check" means a draft drawn by a bank:

12      (a) On another bank; or

13      (b) Payable at or through a bank.

14      (9) "Traveler's check" means an instrument that:

15      (a) Is payable on demand;

16      (b) Is drawn on or payable at or through a bank;

17      (c) Is designated by the term "traveler's check" or by a substantially similar term;  
18      and

19      (d) Requires, as a condition to payment, a countersignature by a person whose  
20      specimen signature appears on the instrument.

21      (10) **(a)** "Certificate of deposit" means an instrument containing an acknowledgment  
22      by a bank that a sum of money has been received by the bank and a promise  
23      by the bank to repay the sum of money.

24      **(b)** A certificate of deposit is a note of the bank.

25      ➔Section 21. KRS 355.3-105 is amended to read as follows:

26      (1) "Issue" means:

27      **(a)** The first delivery of an instrument by the maker or drawer, whether to a

1 holder or nonholder, for the purpose of giving rights on the instrument to any  
2 person; or

3 *(b) If agreed by the payee, the first transmission by the drawer to the payee of*  
4 *an image of an item and information derived from the item that enables the*  
5 *depository bank to collect the item by transferring or presenting under*  
6 *federal law an electronic check.*

7 (2) (a) An unissued instrument, or an unissued incomplete instrument that is  
8 completed, is binding on the maker or drawer, but nonissuance is a defense.

9 (b) An instrument that is conditionally issued or is issued for a special purpose is  
10 binding on the maker or drawer, but failure of the condition or special purpose  
11 to be fulfilled is a defense.

12 (3) "Issuer" applies to issued and unissued instruments and means a maker or drawer of  
13 an instrument.

14 ➔Section 22. KRS 355.3-401 is amended to read as follows:

15 ~~[(1)]~~ A person is not liable on an instrument unless:

16 ~~(1)~~ ~~[(a)]~~ The person signed the instrument; or

17 ~~(2)~~ ~~[(b)]~~ The person is represented by an agent or representative who signed the  
18 instrument and the signature is binding on the represented person under KRS 355.3-  
19 402.

20 ~~[(2)]~~ A signature may be made:

21 ~~(a)~~ ~~Manually or by means of a device or machine; and~~

22 ~~(b)~~ ~~By the use of any name, including a trade or assumed name, or by a word,~~  
23 ~~mark, or symbol executed or adopted by a person with present intention to~~  
24 ~~authenticate a writing.]~~

25 ➔Section 23. KRS 355.3-604 is amended to read as follows:

26 (1) (a) A person entitled to enforce an instrument, with or without consideration, may  
27 discharge the obligation of a party to pay the instrument:

1 ~~1.~~~~(a)~~ By an intentional voluntary act, such as surrender of the  
 2 instrument to the party, destruction, mutilation, or cancellation of the  
 3 instrument, cancellation or striking out of the party's signature, or the  
 4 addition of words to the instrument indicating discharge; or

5 ~~2.~~~~(b)~~ By agreeing not to sue or otherwise renouncing rights against the  
 6 party by a signed record.

7 **(b) The obligation of a party to pay the instrument is not discharged solely by**  
 8 **the destruction of a check in connection with a process in which**  
 9 **information is extracted from the check and an image of the check is made**  
 10 **and, subsequently, the information and image are transmitted for payment.**

11 (2) Cancellation or striking out of an indorsement pursuant to subsection (1) of this  
 12 section does not affect the status and rights of a party derived from the indorsement.

13 ~~[(3) In this section, "signed," with respect to a record that is not in writing, includes the~~  
 14 ~~attachment to or logical association with the record of an electronic symbol, sound,~~  
 15 ~~or process with the present intent to adopt or accept the record.]~~

16 ➔Section 24. KRS 355.4A-103 is amended to read as follows:

17 (1) In this article:

18 (a) "Payment order" means an instruction of a sender to a receiving bank,  
 19 transmitted orally~~, electronically,~~ or in **a record**~~[writing]~~, to pay, or to cause  
 20 another bank to pay, a fixed or determinable amount of money to a  
 21 beneficiary if:

- 22 1. The instruction does not state a condition to payment to the beneficiary  
 23 other than time of payment;
- 24 2. The receiving bank is to be reimbursed by debiting an account of, or  
 25 otherwise receiving payment from, the sender; and
- 26 3. The instruction is transmitted by the sender directly to the receiving  
 27 bank or to an agent, funds-transfer system, or communication system for

1 transmittal to the receiving bank.

2 (b) "Beneficiary" means the person to be paid by the beneficiary's bank.

3 (c) "Beneficiary's bank" means the bank identified in a payment order in which  
4 an account of the beneficiary is to be credited pursuant to the order or which  
5 otherwise is to make payment to the beneficiary if the order does not provide  
6 for payment to an account.

7 (d) "Receiving bank" means the bank to which the sender's instruction is  
8 addressed.

9 (e) "Sender" means the person giving the instruction to the receiving bank.

10 (2) If an instruction complying with subsection (1)(a) ***of this section*** is to make more  
11 than one (1) payment to a beneficiary, the instruction is a separate payment order  
12 with respect to each payment.

13 (3) A payment order is issued when it is sent to the receiving bank.

14 ➔Section 25. KRS 355.4A-201 is amended to read as follows:

15 **(1)** "Security procedure" means a procedure established by agreement of a customer  
16 and a receiving bank for the purpose of:

17 **(a)**~~(1)~~ Verifying that a payment order or communication amending or  
18 canceling a payment order is that of the customer; or

19 **(b)**~~(2)~~ Detecting error in the transmission or the content of the payment order  
20 or communication.

21 **(2)** A security procedure may:

22 **(a)** ***Impose an obligation on the receiving bank or the customer; and***

23 **(b)** Require the use of algorithms or other codes, identifying words,~~or~~ numbers,  
24 ***symbols, sounds, biometrics,*** encryption, callback procedures, or similar  
25 security devices.

26 **(3)** Comparison of a signature on a payment order or communication with an  
27 authorized specimen signature of the customer ***or requiring a payment order to be***

1 sent from a known email address, IP address, or phone number is not by itself a  
2 security procedure.

3 ➔Section 26. KRS 355.4A-202 is amended to read as follows:

4 (1) A payment order received by the receiving bank is the authorized order of the  
5 person identified as sender if that person authorized the order or is otherwise bound  
6 by it under the law of agency.

7 (2) (a) If a bank and its customer have agreed that the authenticity of payment orders  
8 issued to the bank in the name of the customer as sender will be verified  
9 pursuant to a security procedure, a payment order received by the receiving  
10 bank is effective as the order of the customer, whether or not authorized, if:

11 1.[(a)] The security procedure is a commercially reasonable method of  
12 providing security against unauthorized payment orders; and

13 2.[(b)] The bank proves that it accepted the payment order in good faith  
14 and in compliance with the bank's obligations under the security  
15 procedure and any ~~written~~ agreement or instruction of the customer,  
16 evidenced by a record, restricting acceptance of payment orders issued  
17 in the name the customer.

18 (b) The bank is not required to follow an instruction that violates an ~~a written~~  
19 agreement with the customer, evidenced by a record, or notice of which is not  
20 received at a time and in a manner affording the bank a reasonable  
21 opportunity to act on it before the payment order is accepted.

22 (3) (a) Commercial reasonableness of a security procedure is a question of law to be  
23 determined by considering the wishes of the customer expressed to the bank,  
24 the circumstances of the customer known to the bank, including the size, type,  
25 and frequency of payment orders normally issued by the customer to the bank,  
26 alternative security procedures offered to the customer, and security  
27 procedures in general use by customers and receiving banks similarly situated.

1       **(b)** A security procedure is deemed to be commercially reasonable if:

2           ~~1.(a)~~       The security procedure was chosen by the customer after the bank  
3                       offered, and the customer refused, a security procedure that was  
4                       commercially reasonable for that customer; and

5           ~~2.(b)~~       The customer expressly agreed in a record~~[writing]~~ to be bound by  
6                       any payment order, whether or not authorized, issued in its name and  
7                       accepted by the bank in compliance with the bank's obligations under  
8                       the security procedure chosen by the customer.

9       (4) The term "sender" in this article includes the customer in whose name a payment  
10       order is issued if the order is:

11       **(a)** The authorized order of the customer under subsection (1) of this section;~~[ ]~~  
12       or~~[ it is ]~~

13       **(b)** Effective as the order of the customer under subsection (2) of this section.

14       (5) This section applies to amendments and cancellations of payment orders to the  
15       same extent it applies to payment orders.

16       (6) Except as provided in this section and in KRS 355.4A-203(1)(a), rights and  
17       obligations arising under this section or KRS 355.4A-203 may not be varied by  
18       agreement.

19       ➔Section 27. KRS 355.4A-203 is amended to read as follows:

20       (1) If an accepted payment order is not, under KRS 355.4A-202(1), an authorized order  
21       of a customer identified as sender, but is effective as an order of the customer  
22       pursuant to KRS 355.4A-202(2), the following rules apply:

23       **(a)** By express~~[ written ]~~ agreement, evidenced by a record, the receiving bank  
24       may limit the extent to which it is entitled to enforce or retain payment of the  
25       payment order; and~~[ ]~~

26       **(b)** The receiving bank is not entitled to enforce or retain payment of the payment  
27       order if the customer proves that the order was not caused, directly or

1 indirectly, by a person:

- 2 1. Entrusted at any time with duties to act for the customer with respect to
- 3 payment orders or the security procedure; or
- 4 2. Who obtained access to transmitting facilities of the customer or who
- 5 obtained, from a source controlled by the customer and without
- 6 authority of the receiving bank, information facilitating breach of the
- 7 security procedure, regardless of how the information was obtained or
- 8 whether the customer was at fault. **Information includes any access**
- 9 **device, computer software, or the like.**

10 [~~Information includes any access device, computer software, or the like.~~]

11 (2) This section applies to amendments of payment orders to the same extent it applies

12 to payment orders.

13 ➔Section 28. KRS 355.4A-207 is amended to read as follows:

14 (1) Subject to subsection (2) **of this section**, if, in a payment order received by the

15 beneficiary's bank, the name, bank account number, or other identification of the

16 beneficiary refers to a nonexistent or unidentifiable person or account, no person

17 has rights as a beneficiary of the order and acceptance of the order cannot occur.

18 (2) If a payment order received by the beneficiary's bank identifies the beneficiary both

19 by name and by an identifying or bank account number and the name and number

20 identify different persons, the following rules apply:

21 (a) Except as otherwise provided in subsection (3) **of this section**:~~[.]~~

22 **1.** If the beneficiary's bank does not know that the name and number refer

23 to different persons, it may rely on the number as the proper

24 identification of the beneficiary of the order; **and**:~~[.]~~

25 **2.** The beneficiary's bank need not determine whether the name and

26 number refer to the same person; **and**:~~[.]~~

27 (b) **1.** If the beneficiary's bank pays the person identified by name or knows

1           that the name and number identify different persons, no person has  
 2           rights as beneficiary except the person paid by the beneficiary's bank if  
 3           that person was entitled to receive payment from the originator of the  
 4           funds transfer.

5           2. If no person has rights as beneficiary, acceptance of the order cannot  
 6           occur.

7           (3) ~~{(a)}~~ If a payment order described in subsection (2) **of this section** is  
 8           accepted,~~{;~~

9           ~~{(b)}~~ the originator's payment order described the beneficiary inconsistently by  
 10          name and number,~~{;~~ and

11          ~~{(c)}~~ the beneficiary's bank pays the person identified by number as permitted by  
 12          subsection (2)(a) **of this section**, the following rules apply:

13          ~~{(a)}~~ If the originator is a bank, the originator is obliged to pay its order;  
 14          **and**~~{;~~

15          ~~{(b)}~~ 1. If the originator is not a bank and proves that the person identified  
 16          by number was not entitled to receive payment from the originator, the  
 17          originator is not obliged to pay its order unless the originator's bank  
 18          proves that the originator, before acceptance of the originator's order,  
 19          had notice that payment of a payment order issued by the originator  
 20          might be made by the beneficiary's bank on the basis of an identifying or  
 21          bank account number even if it identifies a person different from the  
 22          named beneficiary.

23          2. Proof of notice may be made by any admissible evidence.

24          3. The originator's bank satisfies the burden of proof if it proves that the  
 25          originator, before the payment order was accepted, signed a  
 26          **record**~~{writing}~~ stating the information to which the notice relates.

27          (4) In a case governed by subsection (2)(a) **of this section**, if the beneficiary's bank



1 rightfully pays the person identified by number and that person was not entitled to  
2 receive payment from the originator, the amount paid may be recovered from that  
3 person to the extent allowed by the law governing mistake and restitution as  
4 follows:

5 (a) If the originator is obliged to pay its payment order as stated in subsection (3)  
6 of this section, the originator has the right to recover; ~~and~~.

7 (b) If the originator is not a bank and is not obliged to pay its payment order, the  
8 originator's bank has the right to recover.

9 →Section 29. KRS 355.4A-208 is amended to read as follows:

10 (1) (a) This subsection applies to a payment order identifying an intermediary bank  
11 or the beneficiary's bank only by an identifying number.

12 (b)~~(a)~~ The receiving bank may rely on the number as the proper identification  
13 of the intermediary or beneficiary's bank and need not determine whether the  
14 number identifies a bank.

15 (c)~~(b)~~ The sender is obliged to compensate the receiving bank for any loss and  
16 expenses incurred by the receiving bank as a result of its reliance on the  
17 number in executing or attempting to execute the order.

18 (2) (a) This subsection applies to a payment order identifying an intermediary bank  
19 or the beneficiary's bank both by name and an identifying number if the name  
20 and number identify different persons.

21 (b)~~(a)~~ 1. If the sender is a bank, the receiving bank may rely on the number  
22 as the proper identification of the intermediary or beneficiary's bank if  
23 the receiving bank, when it executes the sender's order, does not know  
24 that the name and number identify different persons.

25 2. The receiving bank need not determine whether the name and number  
26 refer to the same person or whether the number refers to a bank.

27 3. The sender is obliged to compensate the receiving bank for any loss and

1 expenses incurred by the receiving bank as a result of its reliance on the  
2 number in executing or attempting to execute the order.

3 ~~(c)~~~~(b)~~ **1.** If the sender is not a bank and the receiving bank proves that the  
4 sender, before the payment order was accepted, had notice that the  
5 receiving bank might rely on the number as the proper identification of  
6 the intermediary or beneficiary's bank even if it identifies a person  
7 different from the bank identified by name, the rights and obligations of  
8 the sender and the receiving bank are governed by ***paragraph (b) of this***  
9 ***subsection***~~subsection (1)(b)~~, as though the sender were a bank.

10 **2.** Proof of notice may be made by any admissible evidence.

11 **3.** The receiving bank satisfies the burden of proof if it proves that the  
12 sender, before the payment order was accepted, signed a ***record***~~writing~~  
13 stating the information to which the notice relates.

14 ~~(d)~~~~(e)~~ **1.** Regardless of whether the sender is a bank, the receiving bank  
15 may rely on the name as the proper identification of the intermediary or  
16 beneficiary's bank if the receiving bank, at the time it executes the  
17 sender's order, does not know that the name and number identify  
18 different persons.

19 **2.** The receiving bank need not determine whether the name and number  
20 refer to the same person.

21 ~~(e)~~~~(d)~~ If the receiving bank knows that the name and number identify different  
22 persons, reliance on either the name or the number in executing the sender's  
23 payment order is a breach of the obligation stated in KRS 355.4A-302(1)(a).

24 ➔Section 30. KRS 355.4A-210 is amended to read as follows:

25 (1) **(a)** A payment order is rejected by the receiving bank by a notice of rejection  
26 transmitted to the sender orally~~[-electronically,]~~ or in ***a record***~~writing~~.

27 **(b)** A notice of rejection need not use any particular words and is sufficient if it

1 indicates that the receiving bank is rejecting the order or will not execute or  
2 pay the order.

3 (c) Rejection is effective when the notice is given if transmission is by a means  
4 that is reasonable in the circumstances.

5 (d) If notice of rejection is given by a means that is not reasonable, rejection is  
6 effective when the notice is received.

7 (e) If an agreement of the sender and receiving bank establishes the means to be  
8 used to reject a payment order:

9 1.(a) Any means complying with the agreement is reasonable; and

10 2.(b) Any means not complying is not reasonable unless no significant  
11 delay in receipt of the notice resulted from the use of the noncomplying  
12 means.

13 (2) (a) This subsection applies if a receiving bank other than the beneficiary's bank  
14 fails to execute a payment order despite the existence on the execution date of  
15 a withdrawable credit balance in an authorized account of the sender  
16 sufficient to cover the order.

17 (b) If the sender does not receive notice of rejection of the order on the execution  
18 date and the authorized account of the sender does not bear interest, the bank  
19 is obliged to pay interest to the sender on the amount of the order for the  
20 number of days elapsing after the execution date to the earlier of the day the  
21 order is canceled pursuant to KRS 355.4A-211(4) or the day the sender  
22 receives notice or learns that the order was not executed, counting the final  
23 day of the period as an elapsed day. If the withdrawable credit balance during  
24 that period falls below the amount of the order, the amount of interest is  
25 reduced accordingly.

26 (3) If a receiving bank suspends payments, all unaccepted payment orders issued to it  
27 are deemed rejected at the time the bank suspends payments.

1 (4) (a) Acceptance of a payment order precludes a later rejection of the order.

2 (b) Rejection of a payment order precludes a later acceptance of the order.

3 ➔Section 31. KRS 355.4A-211 is amended to read as follows:

4 (1) (a) A communication of the sender of a payment order canceling or amending the  
5 order may be transmitted to the receiving bank orally~~[, electronically,]~~ or in a  
6 record~~[writing]~~.

7 (b) If a security procedure is in effect between the sender and the receiving bank,  
8 the communication is not effective to cancel or amend the order unless the  
9 communication is verified pursuant to the security procedure or the bank  
10 agrees to the cancellation or amendment.

11 (2) Subject to subsection (1) of this section, a communication by the sender canceling  
12 or amending a payment order is effective to cancel or amend the order if notice of  
13 the communication is received at a time and in a manner affording the receiving  
14 bank a reasonable opportunity to act on the communication before the bank accepts  
15 the payment order.

16 (3) (a) After a payment order has been accepted, cancellation or amendment of the  
17 order is not effective unless the receiving bank agrees or a funds-transfer  
18 system rule allows cancellation or amendment without agreement of the bank.

19 ~~(b)~~~~(a)~~ With respect to a payment order accepted by a receiving bank other than  
20 the beneficiary's bank, cancellation or amendment is not effective unless a  
21 conforming cancellation or amendment of the payment order issued by the  
22 receiving bank is also made.

23 ~~(c)~~~~(b)~~ With respect to a payment order accepted by the beneficiary's bank,  
24 cancellation or amendment is not effective unless the order was issued in  
25 execution of an unauthorized payment order, or because of a mistake by a  
26 sender in the funds transfer which resulted in the issuance of a payment order:

27 1. That is a duplicate of a payment order previously issued by the sender;

- 1           2. That orders payment to a beneficiary not entitled to receive payment  
2           from the originator; or
- 3           3. That orders payment in an amount greater than the amount the  
4           beneficiary was entitled to receive from the originator. If the payment  
5           order is canceled or amended, the beneficiary's bank is entitled to  
6           recover from the beneficiary any amount paid to the beneficiary to the  
7           extent allowed by the law governing mistake and restitution.
- 8 (4) An unaccepted payment order is canceled by operation of law at the close of the  
9       fifth funds-transfer business day of the receiving bank after the execution date or  
10      payment date of the order.
- 11 (5) (a) A canceled payment order cannot be accepted.
- 12       (b) If an accepted payment order is canceled, the acceptance is nullified and no  
13      person has any right or obligation based on the acceptance.
- 14       (c) Amendment of a payment order is deemed to be cancellation of the original  
15      order at the time of amendment and issue of a new payment order in the  
16      amended form at the same time.
- 17 (6) Unless otherwise provided in an agreement of the parties or in a funds-transfer  
18      system rule, if the receiving bank, after accepting a payment order, agrees to  
19      cancellation or amendment of the order by the sender or is bound by a funds-  
20      transfer system rule allowing cancellation or amendment without the bank's  
21      agreement, the sender, whether or not cancellation or amendment is effective, is  
22      liable to the bank for any loss and expenses, including reasonable attorney's fees,  
23      incurred by the bank as a result of the cancellation or amendment or attempted  
24      cancellation or amendment.
- 25 (7) A payment order is not revoked by the death or legal incapacity of the sender unless  
26      the receiving bank knows of the death or of an adjudication of incapacity by a court  
27      of competent jurisdiction and has reasonable opportunity to act before acceptance

1 of the order.

2 (8) A funds-transfer system rule is not effective to the extent it conflicts with  
3 subsection (3)(c)~~(b)~~ **of this section.**

4 ➔Section 32. KRS 355.4A-305 is amended to read as follows:

5 (1) If a funds transfer is completed but execution of a payment order by the receiving  
6 bank in breach of KRS 355.4A-302 results in delay in payment to the beneficiary,  
7 the bank is obliged to pay interest to either the originator or the beneficiary of the  
8 funds transfer for the period of delay caused by the improper execution. Except as  
9 provided in subsection (3) **of this section,** additional damages are not recoverable.

10 (2) If execution of a payment order by a receiving bank in breach of KRS 355.4A-302  
11 results in ~~the~~

12 ~~(a)~~—noncompletion of the funds transfer, ~~the~~

13 ~~(b)~~—failure to use an intermediary bank designated by the originator, ~~the~~ or ~~the~~

14 ~~(c)~~—issuance of a payment order that does not comply with the terms of the  
15 payment order of the originator, the bank is liable to the originator for its  
16 expenses in the funds transfer and for incidental expenses and interest losses,  
17 to the extent not covered by subsection (1) **of this section,** resulting from the  
18 improper execution. Except as provided in subsection (3) **of this section,**  
19 additional damages are not recoverable.

20 (3) In addition to the amounts payable under subsections (1) and (2) **of this section,**  
21 damages, including consequential damages, are recoverable to the extent provided  
22 in an express~~written~~ agreement of the receiving bank, **evidenced by a record.**

23 (4) If a receiving bank fails to execute a payment order it was obliged by express  
24 agreement to execute, the receiving bank is liable to the sender for its expenses in  
25 the transaction and for incidental expenses and interest losses resulting from the  
26 failure to execute. Additional damages, including consequential damages, are  
27 recoverable to the extent provided in an express~~written~~ agreement of the

1 receiving bank, ***evidenced by a record***, but are not otherwise recoverable.

2 (5) ***(a)*** Reasonable attorney's fees are recoverable if demand for compensation under  
3 subsection (1) or (2) ***of this section*** is made and refused before an action is  
4 brought on the claim.

5 ***(b)*** If a claim is made for breach of an agreement under subsection (4) ***of this***  
6 ***section*** and the agreement does not provide for damages, reasonable attorney's  
7 fees are recoverable if demand for compensation under subsection (4) ***of this***  
8 ***section*** is made and refused before an action is brought on the claim.

9 (6) Except as stated in this section, the liability of a receiving bank under subsections  
10 (1) and (2) ***of this section*** may not be varied by agreement.

11 ➔Section 33. KRS 355.5-104 is amended to read as follows:

12 A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be  
13 issued in any form that is a ***signed*** record ~~and is authenticated:~~

14 ~~(1) By a signature; or~~

15 ~~(2) In accordance with the agreement of the parties or the standard practice referred to~~  
16 ~~in KRS 355.5-108(5)].~~

17 ➔Section 34. KRS 355.5-116 is amended to read as follows:

18 (1) The liability of an issuer, nominated person, or adviser for action or omission is  
19 governed by the law of the jurisdiction chosen by an agreement in the form of a  
20 record signed ~~or otherwise authenticated~~ by the affected parties ~~in the manner~~  
21 ~~provided in KRS 355.5-104~~ or by a provision in the person's letter of credit,  
22 confirmation, or other undertaking. The jurisdiction whose law is chosen need not  
23 bear any relation to the transaction.

24 (2) ***Unless subsection (1) of this section applies, the liability of an issuer, nominated***  
25 ***person, or adviser for action or omission is governed by the law of the jurisdiction***  
26 ***in which the person is located. The person is considered to be located at the***  
27 ***address indicated in the person's undertaking. If more than one (1) address is***

1 indicated, the person is considered to be located at the address from which the  
 2 person's undertaking was issued.

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

8 (4) A branch of a bank is considered to be located at the address indicated in the  
 9 branch's undertaking. If more than one (1) address is indicated, the branch is  
 10 considered to be located at the address from which the undertaking was issued.

11 (5) (a) Except as otherwise provided in this subsection, the liability of an issuer,  
 12 nominated person, or adviser is governed by any rules of custom or practice,  
 13 such as the Uniform Customs and Practice for Documentary Credits, to which  
 14 the letter of credit, confirmation, or other undertaking is expressly made  
 15 subject.

16 (b) If ~~the~~  
 17 ~~(a)~~ this article would govern the liability of an issuer, nominated person, or  
 18 adviser under subsection (1) or (2) of this section, ~~the~~

19 ~~(b)~~ the relevant undertaking incorporates rules of custom or practice, ~~and~~ and ~~the~~

20 ~~(c)~~ there is conflict between this article and those rules as applied to that  
 21 undertaking, those rules govern except to the extent of any conflict with the  
 22 nonvariable provisions specified in KRS 355.5-103(3).

23 (6)~~(3)~~ If there is conflict between this article and Article 3, 4, 4A, or 9 of this  
 24 chapter, this article governs.

25 (7)~~(4)~~ The forum for settling disputes arising out of an undertaking within this article  
 26 may be chosen in the manner and with the binding effect that governing law may be  
 27 chosen in accordance with subsection (1) of this section.



1           ➔Section 35. KRS 355.7-102 is amended to read as follows:

2       (1) In this article, unless the context otherwise requires:

3           (a) "Bailee" means a person that by a warehouse receipt, bill of lading, or other  
4           document of title acknowledges possession of goods and contracts to deliver  
5           them;

6           (b) "Carrier" means a person that issues a bill of lading;

7           (c) "Consignee" means a person named in a bill of lading to which or to whose  
8           order the bill promises delivery;

9           (d) "Consignor" means a person named in a bill of lading as the person from  
10          which the goods have been received for shipment;

11          (e) "Delivery order" means a record that contains an order to deliver goods  
12          directed to a warehouse, carrier, or other person that in the ordinary course of  
13          business issues warehouse receipts or bills of lading;

14          (f) Reserved;

15          (g) "Goods" means all things that are treated as movable for the purposes of a  
16          contract for storage or transportation;

17          (h) 1. "Issuer" means a bailee that issues a document of title or, in the case of  
18          an unaccepted delivery order, the person that orders the possessor of  
19          goods to deliver.

20          2. The term includes a person for which an agent or employee purports to  
21          act in issuing a document if the agent or employee has real or apparent  
22          authority to issue documents, even if the issuer did not receive any  
23          goods, the goods were misdescribed, or in any other respect the agent or  
24          employee violated the issuer's instructions;

25          (i) "Person entitled under the document" means the holder, in the case of a  
26          negotiable document of title, or the person to which delivery of the goods is to  
27          be made by the terms of, or pursuant to instructions in a record under, a

- 1 nonnegotiable document of title;
- 2 (j) Reserved;
- 3 (k) ~~**Reserved**~~["Sign" means, with present intent to authenticate or adopt a record:
- 4 1. ~~To execute or adopt a tangible symbol; or~~
- 5 2. ~~To attach to or logically associate with the record an electronic sound,~~
- 6 ~~symbol, or process~~];
- 7 (l) "Shipper" means a person that enters into a contract of transportation with a
- 8 carrier; and
- 9 (m) "Warehouse" means a person engaged in the business of storing goods for
- 10 hire.
- 11 (2) Definitions in other articles applying to this article and the sections in which they
- 12 appear are:
- 13 (a) "Contract for sale," KRS 355.2-106;
- 14 (b) "Lessee in ordinary course *of business*," KRS 355.2A-103; and
- 15 (c) "'Receipt' of goods," KRS 355.2-103.
- 16 (3) In addition, Article 1 of ~~**this chapter**~~[KRS Chapter 355] contains general definitions
- 17 and principles of construction and interpretation applicable throughout this article.
- 18 ➔Section 36. KRS 355.7-106 is amended to read as follows:
- 19 (1) A person has control of an electronic document of title if a system employed for
- 20 evidencing the transfer of interests in the electronic document reliably establishes
- 21 that person as the person to which the electronic document was issued or
- 22 transferred.
- 23 (2) A system satisfies subsection (1) of this section, and a person ~~has~~~~is deemed to~~
- 24 ~~have~~ control of an electronic document of title, if the document is created, stored,
- 25 and ~~transferred~~[assigned] in ~~such~~ a manner that:
- 26 (a) A single authoritative copy of the document exists which is unique,
- 27 identifiable, and, except as otherwise provided in paragraphs (d), (e), and (f)

1 of this subsection, unalterable;

2 (b) The authoritative copy identifies the person asserting control as:

3 1. The person to which the document was issued; or

4 2. If the authoritative copy indicates that the document has been  
5 transferred, the person to which the document was most recently  
6 transferred;

7 (c) The authoritative copy is communicated to and maintained by the person  
8 asserting control or its designated custodian;

9 (d) Copies or amendments that add or change an identified ~~transferee~~<sup>[assignee]</sup>  
10 of the authoritative copy can be made only with the consent of the person  
11 asserting control;

12 (e) Each copy of the authoritative copy and any copy of a copy is readily  
13 identifiable as a copy that is not the authoritative copy; and

14 (f) Any amendment of the authoritative copy is readily identifiable as authorized  
15 or unauthorized.

16 **(3) A system satisfies subsection (1) of this section, and a person has control of an**  
17 **electronic document of title, if an authoritative electronic copy of the document, a**  
18 **record attached to or logically associated with the electronic copy, or a system in**  
19 **which the electronic copy is recorded:**

20 **(a) Enables the person readily to identify each electronic copy as either an**  
21 **authoritative copy or a nonauthoritative copy;**

22 **(b) Enables the person readily to identify itself in any way, including by name,**  
23 **identifying number, cryptographic key, office, or account number, as the**  
24 **person to which each authoritative electronic copy was issued or**  
25 **transferred; and**

26 **(c) Gives the person exclusive power, subject to subsection (4) of this section,**  
27 **to:**

- 1           1. Prevent others from adding or changing the person to which each  
2           authoritative electronic copy has been issued or transferred; and  
3           2. Transfer control of each authoritative electronic copy.
- 4   (4) Subject to subsection (5) of this section, a power is exclusive under subsection  
5   (3)(c)1. and 2. of this section even if:  
6   (a) The authoritative electronic copy, a record attached to or logically  
7   associated with the authoritative electronic copy, or a system in which the  
8   authoritative electronic copy is recorded limits the use of the document of  
9   title or has a protocol that is programmed to cause a change, including a  
10   transfer or loss of control; or  
11   (b) The power is shared with another person.
- 12   (5) A power of a person is not shared with another person under subsection (4)(b) of  
13   this section and the person's power is not exclusive if:  
14   (a) The person can exercise the power only if the power also is exercised by the  
15   other person; and  
16   (b) The other person:  
17       1. Can exercise the power without exercise of the power by the person; or  
18       2. Is the transferor to the person of an interest in the document of title.
- 19   (6) If a person has the powers specified in subsection (3)(c)1. and 2. of this section,  
20   the powers are presumed to be exclusive.
- 21   (7) A person has control of an electronic document of title if another person, other  
22   than the transferor to the person of an interest in the document:  
23   (a) Has control of the document and acknowledges that it has control on behalf  
24   of the person; or  
25   (b) Obtains control of the document after having acknowledged that it will  
26   obtain control of the document on behalf of the person.
- 27   (8) A person that has control under this section is not required to acknowledge that it

1 *has control on behalf of another person.*

2 *(9) If a person acknowledges that it has or will obtain control on behalf of another*  
3 *person, unless the person otherwise agrees or law other than this article or*  
4 *Article 9 of this chapter otherwise provides, the person does not owe any duty to*  
5 *the other person and is not required to confirm the acknowledgment to any other*  
6 *person.*

7 ➔Section 37. KRS 355.8-102 is amended to read as follows:

8 (1) In this article:

- 9 (a) "Adverse claim" means a claim that a claimant has a property interest in a  
10 financial asset and that it is a violation of the rights of the claimant for another  
11 person to hold, transfer, or deal with the financial asset;
- 12 (b) "Bearer form," as applied to a certificated security, means a form in which the  
13 security is payable to the bearer of the security certificate according to its  
14 terms but not by reason of an indorsement;
- 15 (c) "Broker" means a person defined as a broker or dealer under the federal  
16 securities laws, but without excluding a bank acting in that capacity;
- 17 (d) "Certificated security" means a security that is represented by a certificate;
- 18 (e) "Clearing corporation" means:
- 19 1. A person that is registered as a "clearing agency" under the federal  
20 securities laws;
- 21 2. A federal reserve bank; or
- 22 3. Any other person that provides clearance or settlement services with  
23 respect to financial assets that would require it to register as a clearing  
24 agency under the federal securities laws but for an exclusion or  
25 exemption from the registration requirement, if its activities as a  
26 clearing corporation, including promulgation of rules, are subject to  
27 regulation by a federal or state governmental authority;

- 1 (f) "Communicate" means to:
- 2 1. Send a signed record~~[writing]~~; or
- 3 2. Transmit information by any mechanism agreed upon by the persons
- 4 transmitting and receiving the information;
- 5 (g) 1. "Entitlement holder" means a person identified in the records of a
- 6 securities intermediary as the person having a security entitlement
- 7 against the securities intermediary.
- 8 2. If a person acquires a security entitlement by virtue of KRS 355.8-
- 9 501(2)(b) or (c), that person is the entitlement holder;
- 10 (h) "Entitlement order" means a notification communicated to a securities
- 11 intermediary directing transfer or redemption of a financial asset to which the
- 12 entitlement holder has a security entitlement;
- 13 (i) 1. "Financial asset," except as otherwise provided in KRS 355.8-103,
- 14 means:
- 15 a.~~[1.]~~ A security;
- 16 b.~~[2.]~~ An obligation of a person or a share, participation, or other interest
- 17 in a person or in property or an enterprise of a person, which is, or
- 18 is of a type, dealt in or traded on financial markets, or which is
- 19 recognized in any area in which it is issued or dealt in as a medium
- 20 for investment; or
- 21 c.~~[3.]~~ Any property that is held by a securities intermediary for another
- 22 person in a securities account if the securities intermediary has
- 23 expressly agreed with the other person that the property is to be
- 24 treated as a financial asset under this article.
- 25 2. As context requires, the term means either the interest itself or the
- 26 means by which a person's claim to it is evidenced, including a
- 27 certificated or uncertificated security, a security certificate, or a security

1 entitlement;

2 (j) ~~{(Reserved)}~~;

3 (k) "Indorsement" means a signature that alone or accompanied by other words is  
4 made on a security certificate in registered form or on a separate document for  
5 the purpose of assigning, transferring, or redeeming the security or granting a  
6 power to assign, transfer, or redeem it;

7 (l) "Instruction" means a notification communicated to the issuer of an  
8 uncertificated security which directs that the transfer of the security be  
9 registered or that the security be redeemed;

10 (m) "Registered form," as applied to a certificated security, means a form in  
11 which:

- 12 1. The security certificate specifies a person entitled to the security; and
- 13 2. A transfer of the security may be registered upon books maintained for  
14 that purpose by or on behalf of the issuer, or the security certificate so  
15 states;

16 (n) "Securities intermediary" means:

- 17 1. A clearing corporation; or
- 18 2. A person, including a bank or broker, that in the ordinary course of its  
19 business maintains securities accounts for others and is acting in that  
20 capacity;

21 (o) "Security," except as otherwise provided in KRS 355.8-103, means an  
22 obligation of an issuer or a share, participation, or other interest in an issuer or  
23 in property or an enterprise of an issuer:

- 24 1. Which is represented by a security certificate in bearer or registered  
25 form, or the transfer of which may be registered upon books maintained  
26 for that purpose by or on behalf of the issuer;
- 27 2. Which is one of a class or series or by its terms is divisible into a class

- 1 or series of shares, participations, interests, or obligations; and
- 2 3. Which:
- 3 a. Is, or is of a type, dealt in or traded on securities exchanges or
- 4 securities markets; or
- 5 b. Is a medium for investment and by its terms expressly provides
- 6 that it is a security governed by this article;
- 7 (p) "Security certificate" means a certificate representing a security;
- 8 (q) "Security entitlement" means the rights and property interest of an entitlement
- 9 holder with respect to a financial asset specified in Part 5 of this article; and
- 10 (r) "Uncertificated security" means a security that is not represented by a
- 11 certificate.
- 12 (2) **The following definitions in**~~[Other definitions applying to]~~ this article and **other**
- 13 **articles of this chapter apply to this article**~~[the sections in which they appear are]:~~
- 14 (a) "Appropriate person." KRS 355.8-107;
- 15 (b) "Control." KRS 355.8-106;
- 16 (c) **"Controllable account." Section 42 of this Act;**
- 17 **(d) "Controllable electronic record." Section 93 of this Act;**
- 18 **(e) "Controllable payment intangible." Section 42 of this Act;**
- 19 **(f)** "Delivery." KRS 355.8-301;
- 20 **(g)**~~[(d)]~~ "Investment company security." KRS 355.8-103;
- 21 **(h)**~~[(e)]~~ "Issuer." KRS 355.8-201;
- 22 **(i)**~~[(f)]~~ "Overissue." KRS 355.8-210;
- 23 **(j)**~~[(g)]~~ "Protected purchaser." KRS 355.8-303; and
- 24 **(k)**~~[(h)]~~ "Securities account." KRS 355.8-501.
- 25 (3) In addition, Article 1 of this chapter contains general definitions and principles of
- 26 construction and interpretation applicable throughout this article.
- 27 (4) The characterization of a person, business, or transaction for purposes of this article



1 does not determine the characterization of the person, business, or transaction for  
2 purposes of any other law, regulation, or rule.

3 ➔Section 38. KRS 355.8-103 is amended to read as follows:

4 (1) A share or similar equity interest issued by a corporation, business trust, joint stock  
5 company, or similar entity is a security.

6 (2) (a) An "investment company security" is a security.

7 (b) "Investment company security" means a share or similar equity interest issued  
8 by an entity that is registered as an investment company under the federal  
9 investment company laws, an interest in a unit investment trust that is so  
10 registered, or a face-amount certificate issued by a face-amount certificate  
11 company that is so registered.

12 (c) Investment company security does not include an insurance policy or  
13 endowment policy or annuity contract issued by an insurance company.

14 (3) (a) An interest in a partnership or limited liability company is not a security  
15 unless:

16 1. It is dealt in or traded on securities exchanges or in securities markets;~~;~~

17 2. Its terms expressly provide that it is a security governed by this  
18 article;~~;~~ or

19 3. It is an investment company security.

20 (b) However, an interest in a partnership or limited liability company is a  
21 financial asset if it is held in a securities account.

22 (4) (a) A writing that is a security certificate is governed by this article and not by  
23 Article 3 of this chapter, even though it also meets the requirements of that  
24 article.

25 (b) However, a negotiable instrument governed by Article 3 of this chapter is a  
26 financial asset if it is held in a securities account.

27 (5) An option or similar obligation issued by a clearing corporation to its participants is

1 not a security, but is a financial asset.

2 (6) A commodity contract, as defined in KRS 355.9-102(1)~~[(e)]~~, is not a security or a  
3 financial asset.

4 (7) A document of title, as defined in KRS 355.1-201(2)~~[(p)]~~, is not a financial asset  
5 unless KRS 355.8-102(1)(i)L.c.~~[3-]~~ applies.

6 **(8) A controllable account, controllable electronic record, or controllable payment**  
7 **intangible is not a financial asset unless subsection (1)(i)L.c. of Section 37 of this**  
8 **Act applies.**

9 ➔Section 39. KRS 355.8-106 is amended to read as follows:

10 (1) A purchaser has "control" of a certificated security in bearer form if the certificated  
11 security is delivered to the purchaser.

12 (2) A purchaser has "control" of a certificated security in registered form if the  
13 certificated security is delivered to the purchaser, and:

14 (a) The certificate is indorsed to the purchaser or in blank by an effective  
15 indorsement; or

16 (b) The certificate is registered in the name of the purchaser, upon original issue  
17 or registration of transfer by the issuer.

18 (3) A purchaser has "control" of an uncertificated security if:

19 (a) The uncertificated security is delivered to the purchaser; or

20 (b) The issuer has agreed that it will comply with instructions originated by the  
21 purchaser without further consent by the registered owner.

22 (4) A purchaser has "control" of a security entitlement if:

23 (a) The purchaser becomes the entitlement holder;

24 (b) The securities intermediary has agreed that it will comply with entitlement  
25 orders originated by the purchaser without further consent by the entitlement  
26 holder; or

27 (c) Another person, **other than the transferor to the purchaser of an interest in**

1            **the security entitlement:**

2            **1.** Has control of the security entitlement ~~and~~ on behalf of the purchaser  
3            ~~or, having previously acquired control of the security entitlement,]~~  
4            acknowledges that it has control on behalf of the purchaser; **or**

5            **2.** **Obtains control of the security entitlement after having acknowledged**  
6            **that it will obtain control of the security entitlement on behalf of the**  
7            **purchaser.**

8            (5) If an interest in a security entitlement is granted by the entitlement holder to the  
9            entitlement holder's own securities intermediary, the securities intermediary has  
10           control.

11           (6) A purchaser who has satisfied the requirements of subsection (3) or (4) of this  
12           section has control, even if the registered owner in the case of subsection (3) of this  
13           section or the entitlement holder in the case of subsection (4) of this section retains  
14           the right to make substitutions for the uncertificated security or security entitlement,  
15           to originate instructions or entitlement orders to the issuer or securities  
16           intermediary, or otherwise to deal with the uncertificated security or security  
17           entitlement.

18           (7) An issuer or a securities intermediary may not enter into an agreement of the kind  
19           described in subsection (3)(b) or (4)(b) of this section without the consent of the  
20           registered owner or entitlement holder, but an issuer or a securities intermediary is  
21           not required to enter into such an agreement even though the registered owner or  
22           entitlement holder so directs. An issuer or securities intermediary that has entered  
23           into such an agreement is not required to confirm the existence of the agreement to  
24           another party unless requested to do so by the registered owner or entitlement  
25           holder.

26           **(8) A person that has control under this section is not required to acknowledge that it**  
27           **has control on behalf of a purchaser.**

1 **(9) If a person acknowledges that it has or will obtain control on behalf of a**  
2 **purchaser, unless the person otherwise agrees or law other than this article or**  
3 **Article 9 of this chapter otherwise provides, the person does not own any duty to**  
4 **the purchaser and is not required to confirm the acknowledgment to any other**  
5 **person.**

6 ➔Section 40. KRS 355.8-110 is amended to read as follows:

7 (1) The local law of the issuer's jurisdiction, as specified in subsection (4) of this  
8 section, governs:

- 9 (a) The validity of a security;
- 10 (b) The rights and duties of the issuer with respect to registration of transfer;
- 11 (c) The effectiveness of registration of transfer by the issuer;
- 12 (d) Whether the issuer owes any duties to an adverse claimant to a security; and
- 13 (e) Whether an adverse claim can be asserted against a person to whom transfer  
14 of a certificated or uncertificated security is registered or a person who obtains  
15 control of an uncertificated security.

16 (2) The local law of the securities intermediary's jurisdiction, as specified in subsection  
17 (5) of this section, governs:

- 18 (a) Acquisition of a security entitlement from the securities intermediary;
- 19 (b) The rights and duties of the securities intermediary and entitlement holder  
20 arising out of a security entitlement;
- 21 (c) Whether the securities intermediary owes any duties to an adverse claimant to  
22 a security entitlement; and
- 23 (d) Whether an adverse claim can be asserted against a person who acquires a  
24 security entitlement from the securities intermediary or a person who  
25 purchases a security entitlement or interest therein from an entitlement holder.

26 (3) The local law of the jurisdiction in which a security certificate is located at the time  
27 of delivery governs whether an adverse claim can be asserted against a person to

1 whom the security certificate is delivered.

2 (4) (a) "Issuer's jurisdiction" means the jurisdiction under which the issuer of the  
3 security is organized or, if permitted by the law of that jurisdiction, the law of  
4 another jurisdiction specified by the issuer.

5 (b) An issuer organized under the law of this Commonwealth may specify the law  
6 of another jurisdiction as the law governing the matters specified in  
7 subsection (1)(b) to (e) of this section.

8 (5) The following rules determine a "securities intermediary's jurisdiction" for purposes  
9 of this section:

10 (a) If an agreement between the securities intermediary and its entitlement holder  
11 governing the securities account expressly provides that a particular  
12 jurisdiction is the securities intermediary's jurisdiction for purposes of this  
13 part of this article, this article, or Article 9 of this chapter, that jurisdiction is  
14 the securities intermediary's jurisdiction;[ ]

15 (b) If paragraph (a) of this subsection does not apply and an agreement between  
16 the securities intermediary and its entitlement holder governing the securities  
17 account expressly provides that the agreement is governed by the law of a  
18 particular jurisdiction, that jurisdiction is the securities intermediary's  
19 jurisdiction;[ ]

20 (c) If neither paragraph (a) nor paragraph (b) of this subsection applies and an  
21 agreement between the securities intermediary and its entitlement holder  
22 governing the securities account expressly provides that the securities account  
23 is maintained at an office in a particular jurisdiction, that jurisdiction is the  
24 securities intermediary's jurisdiction;[ ]

25 (d) If none of the preceding paragraphs of this subsection applies, the securities  
26 intermediary's jurisdiction is the jurisdiction in which the office identified in  
27 an account statement as the office serving the entitlement holder's account is

1 located; ~~and~~[-]

2 (e) If none of the preceding paragraphs of this subsection applies, the securities  
3 intermediary's jurisdiction is the jurisdiction in which the chief executive  
4 office of the securities intermediary is located.

5 (6) A securities intermediary's jurisdiction is not determined by the:

6 (a) Physical location of certificates representing financial assets; ~~[-, or by the]~~

7 (b) Jurisdiction in which is organized the issuer of the financial asset with respect  
8 to which an entitlement holder has a security entitlement; ~~[-,] or [- by the]~~

9 (c) Location of facilities for data processing or other record keeping concerning  
10 the account.

11 **(7) *The local law of the issuer's jurisdiction or the securities intermediary's***  
12 ***jurisdiction governs a matter or transaction specified in subsection (1) or (2) of***  
13 ***this section even if the matter or transaction does not bear any relation to the***  
14 ***jurisdiction.***

15 ➔Section 41. KRS 355.8-303 is amended to read as follows:

16 (1) "Protected purchaser" means a purchaser of a certificated or uncertificated security,  
17 or of an interest therein, who:

18 (a) Gives value;

19 (b) Does not have notice of any adverse claim to the security; and

20 (c) Obtains control of the certificated or uncertificated security.

21 ~~(2) [In addition to acquiring the rights of a purchaser,] A protected purchaser~~ ~~[also]~~  
22 acquires its interest in the security free of any adverse claim.

23 ➔Section 42. KRS 355.9-102 is amended to read as follows:

24 (1) In this article:

25 (a) "Accession" means goods that are physically united with other goods in such  
26 a manner that the identity of the original goods is not lost;

27 (b) 1. "Account," except as used in "account for," ***"account statement,"***

1                    "account to," "commodity account" in paragraph (p) of this  
 2                    subsection, "customer's account," "deposit account" in paragraph  
 3                    (ag) of this subsection, "on account of," and "statement of account,"

4                    means a right to payment of a monetary obligation, whether or not  
 5                    earned by performance:

- 6                    a. For property that has been or is to be sold, leased, licensed,
- 7                    assigned, or otherwise disposed of;
- 8                    b. For services rendered or to be rendered;
- 9                    c. For a policy of insurance issued or to be issued;
- 10                  d. For a secondary obligation incurred or to be incurred;
- 11                  e. For energy provided or to be provided;
- 12                  f. For the use or hire of a vessel under a charter or other contract;
- 13                  g. Arising out of the use of a credit or charge card or information
- 14                  contained on or for use with the card; or
- 15                  h. As winnings in a lottery or other game of chance operated or
- 16                  sponsored by a state, governmental unit of a state, or person
- 17                  licensed or authorized to operate the game by a state or
- 18                  governmental unit of a state.

19                  2. The term includes:

20                  a. Controllable accounts; and

21                  b. Health-care-insurance receivables.

22                  3. The term does not include:

- 23                  a. ~~[Rights to payment evidenced by ]~~Chattel paper~~[ or an~~
- 24                  ~~instrument];~~
- 25                  b. Commercial tort claims;
- 26                  c. Deposit accounts;
- 27                  d. Investment property;

- 1 e. Letter-of-credit rights or letters of credit;~~[-or]~~
- 2 f. Rights to payment for money or funds advanced or sold, other than
- 3 rights arising out of the use of a credit or charge card or
- 4 information contained on or for use with the card; or
- 5 **g. *Rights to payment evidenced by an instrument;***
- 6 (c) **1.** "Account debtor" means a person obligated on an account, chattel paper,
- 7 or general intangible.
- 8 **2.** The term does not include persons obligated to pay a negotiable
- 9 instrument, even if the ***negotiable*** instrument ***evidences***~~[-constitutes part~~
- 10 ~~of]~~ chattel paper;
- 11 (d) "Accounting," except as used in "accounting for," means a record:
- 12 1. **Signed**~~[-Authenticated]~~ by a secured party;
- 13 2. Indicating the aggregate unpaid secured obligations as of a date not
- 14 more than thirty-five (35) days earlier or thirty-five (35) days later than
- 15 the date of the record; and
- 16 3. Identifying the components of the obligations in reasonable detail;
- 17 (e) "Agricultural lien" means an interest in farm products:
- 18 1. Which secures payment or performance of an obligation for:
- 19 a. Goods or services furnished in connection with a debtor's farming
- 20 operation; or
- 21 b. Rent on real property leased by a debtor in connection with its
- 22 farming operation;
- 23 2. Which is created by statute in favor of a person that:
- 24 a. In the ordinary course of its business furnished goods or services
- 25 to a debtor in connection with a debtor's farming operation; or
- 26 b. Leased real property to a debtor in connection with the debtor's
- 27 farming operation; and



1           3. Whose effectiveness does not depend on the person's possession of the  
2           personal property;

3           (f) "As-extracted collateral" means:

4           1. Oil, gas, or other minerals that are subject to a security interest that:

5           a. Is created by a debtor having an interest in the minerals before  
6           extraction; and

7           b. Attaches to the minerals as extracted; or

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

10          (g) ~~Reserved~~ "Authenticate" means:

11          1. ~~To sign; or~~

12          2. ~~With present intent to adopt or accept a record, to attach to or logically~~  
13          ~~associate with the record an electronic sound, symbol, or process];~~

14          **(h) 1. "Assignee," except as used in "assignee for benefit of creditors,"**  
15          **means a person:**

16          **a. In whose favor a security interest that secures an obligation is**  
17          **created or provided for under a security agreement, whether or**  
18          **not the obligation is outstanding; or**

19          **b. To which an account, chattel paper, payment intangible, or**  
20          **promissory note has been sold.**

21          **2. The term includes a person to which a security interest has been**  
22          **transferred by a security party;**

23          **(i) 1. "Assignor" means a person that:**

24          **a. Under a security agreement, creates or provides for a security**  
25          **interest that secures an obligation; or**

26          **b. Sells an account, chattel paper, payment intangible, or**  
27          **promissory note.**

1                    **2. The term includes a security party that has transferred a security**  
 2                    **interest to another person;**

3                    ~~(j)(h)~~ "Bank" means an organization that is engaged in the business of  
 4                    banking. The term includes savings banks, savings and loan associations,  
 5                    credit unions, and trust companies;

6                    ~~(k)(i)~~ "Cash proceeds" means proceeds that are money, checks, deposit  
 7                    accounts, or the like;

8                    ~~(l)(j)~~ **1.** "Certificate of title" means a certificate of title with respect to  
 9                    which a statute provides for the security interest in question to be  
 10                    indicated on the certificate as a condition or result of the security  
 11                    interest's obtaining priority over the rights of a lien creditor with respect  
 12                    to the collateral.

13                    **2.** The term includes another record maintained as an alternative to a  
 14                    certificate of title by the governmental unit that issues certificates of title  
 15                    if a statute permits the security interest in question to be indicated on the  
 16                    record as a condition or result of the security interest's obtaining priority  
 17                    over the rights of a lien creditor with respect to the collateral;

18                    ~~(m)(k)~~ **1.** "Chattel paper" means: ~~a record or records that evidence both a~~  
 19                    ~~monetary obligation and a security interest in specific goods, a security~~  
 20                    ~~interest in specific goods and software used in the goods, a security~~  
 21                    ~~interest in specific goods and license of software used in the goods, a~~  
 22                    ~~lease of specific goods, or a lease of specific goods and license of~~  
 23                    ~~software used in the goods. In this paragraph, "monetary obligation"~~  
 24                    ~~means a monetary obligation secured by the goods or owed under a~~  
 25                    ~~lease of the goods and includes a monetary obligation with respect to~~  
 26                    ~~software used in the goods. The term does not include:~~

27                    ~~1. Charters or other contracts involving the use or hire of a vessel; or~~

1           ~~2. Records that evidence a right of payment arising out of the use of a~~  
 2           ~~credit or charge card or information contained on or for use with the~~  
 3           ~~card.~~

4           ~~— If a transaction is evidenced by records that include an instrument or~~  
 5           ~~series of instruments, the group of records taken together constitutes~~  
 6           ~~chattel paper;]~~

7           ~~a. A right to payment of a monetary obligation secured by specific~~  
 8           ~~goods, if the right to payment and security agreement are~~  
 9           ~~evidenced by a record; or~~

10          ~~b. A right to payment of a monetary obligation owed by a lessee~~  
 11          ~~under a lease agreement with respect to specific goods and a~~  
 12          ~~monetary obligation owed by the lessee in connection with the~~  
 13          ~~transaction giving rise to the lease, if:~~

14          ~~i. The right to payment and lease agreement are evidenced by~~  
 15          ~~a record; and~~

16          ~~ii. The predominant purpose of the transaction giving rise to~~  
 17          ~~the lease was to give the lessee the right to possession and~~  
 18          ~~use of the goods.~~

19          ~~2. The term does not include a right to payment arising out of a charter~~  
 20          ~~or other contract involving the use or hire of a vessel or a right to~~  
 21          ~~payment arising out of the use of a credit or charge card or~~  
 22          ~~information contained on or for use with the card;~~

23          ~~(n)[(1)]~~ 1. "Collateral" means the property subject to a security interest or  
 24          agricultural lien.

25          2. The term includes:

26          ~~a.[1.]~~ Proceeds to which a security interest attaches;

27          ~~b.[2.]~~ Accounts, chattel paper, payment intangibles, and promissory

1 notes that have been sold; and

2 ~~c.[3.]~~ Goods that are the subject of a consignment;

3 ~~(o)[(m)]~~ "Commercial tort claim" means a claim arising in tort with respect to  
4 which:

- 5 1. The claimant is an organization; or
- 6 2. The claimant is an individual and the claim:
- 7 a. Arose in the course of the claimant's business or profession; and
- 8 b. Does not include damages arising out of personal injury to or the  
9 death of an individual;

10 ~~(p)[(n)]~~ "Commodity account" means an account maintained by a commodity  
11 intermediary in which a commodity contract is carried for a commodity  
12 customer;

13 ~~(q)[(o)]~~ "Commodity contract" means a commodity futures contract, an option  
14 on a commodity futures contract, a commodity option, or another contract if  
15 the contract or option is:

- 16 1. Traded on or subject to the rules of a board of trade that has been  
17 designated as a contract market for such a contract pursuant to federal  
18 commodities laws; or
- 19 2. Traded on a foreign commodity board of trade, exchange, or market, and  
20 is carried on the books of a commodity intermediary for a commodity  
21 customer;

22 ~~(r)[(p)]~~ "Commodity customer" means a person for which a commodity  
23 intermediary carries a commodity contract on its books;

24 ~~(s)[(q)]~~ "Commodity intermediary" means a person that:

- 25 1. Is registered as a futures commission merchant under federal  
26 commodities law; or
- 27 2. In the ordinary course of its business provides clearance or settlement

1 services for a board of trade that has been designated as a contract  
2 market pursuant to federal commodities law;

3 ~~(t)~~~~(+)~~ "Communicate" means:

- 4 1. To send a written or other tangible record;
- 5 2. To transmit a record by any means agreed upon by the persons sending  
6 and receiving the record; or
- 7 3. In the case of transmission of a record to or by a filing office, to transmit  
8 a record by any means prescribed by filing-office rule;

9 ~~(u)~~~~(s)~~ "Consignee" means a merchant to which goods are delivered in a  
10 consignment;

11 ~~(v)~~~~(t)~~ "Consignment" means a transaction, regardless of its form, in which a  
12 person delivers goods to a merchant for the purpose of sale and:

- 13 1. The merchant:
  - 14 a. Deals in goods of that kind under a name other than the name of  
15 the person making delivery;
  - 16 b. Is not an auctioneer; and
  - 17 c. Is not generally known by its creditors to be substantially engaged  
18 in selling the goods of others;
- 19 2. With respect to each delivery, the aggregate value of the goods is one  
20 thousand dollars (\$1,000) or more at the time of delivery;
- 21 3. The goods are not consumer goods immediately before delivery; and
- 22 4. The transaction does not create a security interest that secures an  
23 obligation;

24 ~~(w)~~~~(+)~~ "Consignor" means a person that delivers goods to a consignee in a  
25 consignment;

26 ~~(x)~~~~(v)~~ "Consumer debtor" means a debtor in a consumer transaction;

27 ~~(y)~~~~(w)~~ "Consumer goods" means goods that are used or bought for use

1 primarily for personal, family, or household purposes;

2 ~~(z)~~~~(x)~~ "Consumer-goods transaction" means a consumer transaction in which:

- 3 1. An individual incurs an obligation primarily for personal, family, or
- 4 household purposes; and
- 5 2. A security interest in consumer goods secures the obligation;

6 ~~(aa)~~~~(y)~~ "Consumer obligor" means an obligor who is an individual and who

7 incurred the obligation as part of a transaction entered into primarily for

8 personal, family, or household purposes;

9 ~~(ab)~~~~(z)~~ 1. "Consumer transaction" means a transaction in which:

- 10 a.~~[1.]~~ An individual incurs an obligation primarily for personal, family,
- 11 or household purposes;
- 12 b.~~[2.]~~ A security interest secures the obligation; and
- 13 c.~~[3.]~~ The collateral is held or acquired primarily for personal, family, or
- 14 household purposes.

15 2. The term includes consumer-goods transactions;

16 ~~(ac)~~~~(aa)~~ "Continuation statement" means an amendment of a financing statement

17 which:

- 18 1. Identifies, by its file number, the initial financing statement to which it
- 19 relates; and
- 20 2. Indicates that it is a continuation statement for, or that it is filed to
- 21 continue the effectiveness of, the identified financing statement;

22 ~~(ad)~~ **"Controllable account" means an account evidenced by a controllable**

23 **electronic record that provides that the account debtor undertakes to pay the**

24 **person that has control under Section 96 of this Act of the controllable**

25 **electronic record;**

26 ~~(ae)~~ **"Controllable payment intangible" means a payment intangible evidenced**

27 **by a controllable electronic record that provides that the account debtor**

1                    **undertakes to pay the person that has control under Section 96 of this Act of**  
 2                    **the controllable electronic record;**

3                    ~~(af)~~~~(ab)~~ "Debtor" means:

- 4                    1. A person having an interest, other than a security interest or other lien,
- 5                           in the collateral, whether or not the person is an obligor;
- 6                    2. A seller of accounts, chattel paper, payment intangibles, or promissory
- 7                           notes; or
- 8                    3. A consignee;

9                    ~~(ag)~~~~(ae)~~ **1.** "Deposit account" means a demand, time, savings, passbook, or  
 10                           similar account maintained with a bank.

11                    **2.** The term does not include investment property or accounts evidenced by  
 12                           an instrument;

13                    ~~(ah)~~~~(ad)~~ "Document" means a document of title or a receipt of the type described  
 14                           in KRS 355.7-201(2);

15                    ~~(ai)~~~~(ae)~~ **Reserved**~~["Electronic chattel paper" means chattel paper evidenced by a~~  
 16                           ~~record or records consisting of information stored in an electronic medium];~~

17                    **(aj) "Electronic money" means money in an electronic form;**

18                    ~~(ak)~~~~(af)~~ **1.** "Encumbrance" means a right, other than an ownership interest, in  
 19                           real property.

20                    **2.** The term includes mortgages and other liens on real property;

21                    ~~(al)~~~~(ag)~~ "Equipment" means goods other than inventory, farm products, or  
 22                           consumer goods;

23                    ~~(am)~~~~(ah)~~ **1.** "Farm products" means goods, other than standing timber, with  
 24                           respect to which the debtor is engaged in a farming operation and which  
 25                           are:

26                           ~~a.~~~~[1.]~~ Crops grown, growing, or to be grown, including:

27                                       ~~i.~~~~[a.]~~ Crops produced on trees, vines, and bushes; and

- 1                    ~~ii.~~<sup>b.</sup> Aquatic goods produced in aquacultural operations;
- 2                    ~~b.~~<sup>2.</sup> Livestock, born or unborn, including aquatic goods produced in
- 3                    aquacultural operations;
- 4                    ~~c.~~<sup>3.</sup> Supplies used or produced in a farming operation;
- 5                    ~~d.~~<sup>4.</sup> Products of crops or livestock in their unmanufactured states; or
- 6                    ~~e.~~<sup>5.</sup> Equine interests, including, but not limited to, interests in horses,
- 7                    mares, yearlings, foals, weanlings, stallions, syndicated stallions,
- 8                    and stallion shares (including seasons and other rights in
- 9                    connection therewith), whether or not the debtor is engaged in
- 10                   farming operations and without regard to the use thereof.

- 11                   2. If goods are farm products, they are neither equipment nor inventory;
- 12                   ~~(an)~~<sup>(ai)</sup> "Farming operation" means raising, cultivating, propagating, fattening,
- 13                   grazing, or any other farming, livestock, or aquacultural operation;
- 14                   ~~(ao)~~<sup>(aj)</sup> "File number" means the number assigned to an initial financing
- 15                   statement pursuant to KRS 355.9-519(1);
- 16                   ~~(ap)~~<sup>(ak)</sup> "Filing office" means an office designated in KRS 355.9-501 as the
- 17                   place to file a financing statement;
- 18                   ~~(aq)~~<sup>(al)</sup> "Filing-office rule" means a rule adopted pursuant to KRS 355.9-526;
- 19                   ~~(ar)~~<sup>(am)</sup> "Financing statement" means a record or records composed of an initial
- 20                   financing statement and any filed record relating to the initial financing
- 21                   statement;
- 22                   ~~(as)~~<sup>(an)</sup> 1. "Fixture filing" means the filing of a financing statement covering
- 23                   goods that are or are to become fixtures and satisfying KRS 355.9-
- 24                   502(1) and (2).
- 25                   2. The term includes the filing of a financing statement covering goods of a
- 26                   transmitting utility which are or are to become fixtures;
- 27                   ~~(at)~~<sup>(ao)</sup> "Fixtures" means goods that have become so related to particular real



1 property that an interest in them arises under real property law;

2 ~~(au)~~~~(ap)~~ **1.** "General intangible" means any personal property, including  
3 things in action, other than accounts, chattel paper, commercial tort  
4 claims, deposit accounts, documents, goods, instruments, investment  
5 property, letter-of-credit rights, letters of credit, money, and oil, gas, or  
6 other minerals before extraction.

7 **2.** The term includes:

8 **a. Controllable electronic records;**

9 **b.** Payment intangibles; and

10 **c.** Software;

11 ~~(av)~~~~(aq)~~ ~~{Reserved}~~

12 ~~};~~

13 ~~(aw)~~~~(ar)~~ **1.** "Goods" means all things that are movable when a security interest  
14 attaches.

15 ~~2.1~~ The term includes:

16 a. Fixtures;

17 b. Standing timber that is to be cut and removed under a conveyance  
18 or contract for sale;

19 c. The unborn young of animals;

20 d. Crops grown, growing, or to be grown, even if the crops are  
21 produced on trees, vines, or bushes; and

22 e. Manufactured homes.

23 ~~3.2~~ The term also includes a computer program embedded in goods and any  
24 supporting information provided in connection with a transaction  
25 relating to the program if:

26 a. The program is associated with the goods in such a manner that it  
27 customarily is considered part of the goods; or

1                   b. By becoming the owner of the goods, a person acquires a right to  
2                   use the program in connection with the goods.

3                   ~~4.~~<sup>[3.]</sup> The term does not include a computer program embedded in goods that  
4                   consist solely of the medium in which the program is embedded.

5                   ~~5.~~<sup>[4.]</sup> The term also does not include accounts, chattel paper, commercial tort  
6                   claims, deposit accounts, documents, general intangibles, instruments,  
7                   investment property, letter-of-credit rights, letters of credit, money, or  
8                   oil, gas, or other minerals before extraction;

9                   ~~(ax)~~<sup>[(as)]</sup> **1.** "Governmental unit" means a subdivision, agency, department,  
10                  county, parish, municipality, or other unit of the government of the  
11                  United States, a State, or a foreign country.

12                  **2.** The term includes an organization having a separate corporate existence  
13                  if the organization is eligible to issue debt on which interest is exempt  
14                  from income taxation under the laws of the United States;

15                  ~~(ay)~~<sup>[(at)]</sup> "Health-care-insurance receivable" means an interest in or claim under a  
16                  policy of insurance which is a right to payment of a monetary obligation for  
17                  health-care goods or services provided or to be provided;

18                  ~~(az)~~<sup>[(au)]</sup> **1.** "Instrument" means a negotiable instrument or any other writing  
19                  that evidences a right to the payment of a monetary obligation, is not  
20                  itself a security agreement or lease, and is of a type that in ordinary  
21                  course of business is transferred by delivery with any necessary  
22                  indorsement or assignment.

23                  **2.** The term does not include:

24                  ~~a.~~<sup>[1.]</sup> Investment property;

25                  ~~b.~~<sup>[2.]</sup> Letters of credit;~~[-or]~~

26                  ~~c.~~<sup>[3.]</sup> Writings that evidence a right to payment arising out of the use of  
27                  a credit or charge card or information contained on or for use with

1 the card; or

2 **d. Writings that evidence chattel paper;**

3 **(ba)**~~(av)~~ "Inventory" means goods, other than farm products, which:

- 4 1. Are leased by a person as lessor;
- 5 2. Are held by a person for sale or lease or to be furnished under a contract
- 6 of service;
- 7 3. Are furnished by a person under a contract of service; or
- 8 4. Consist of raw materials, work in process, or materials used or
- 9 consumed in a business;

10 **(bb)**~~(aw)~~ "Investment property" means a security, whether certificated or  
 11 uncertificated, security entitlement, securities account, commodity contract, or  
 12 commodity account;

13 **(bc)**~~(ax)~~ "Jurisdiction of organization," with respect to a registered organization,  
 14 means the jurisdiction under whose law the organization is organized;

15 **(bd)**~~(ay)~~ **1.** "Letter-of-credit right" means a right to payment or performance  
 16 under a letter of credit, whether or not the beneficiary has demanded or  
 17 is at the time entitled to demand payment or performance.

18 **2.** The term does not include the right of a beneficiary to demand payment  
 19 or performance under a letter of credit;

20 **(be)**~~(az)~~ "Lien creditor" means:

- 21 1. A creditor that has acquired a lien on the property involved by
- 22 attachment, levy, or the like;
- 23 2. An assignee for benefit of creditors from the time of assignment;
- 24 3. A trustee in bankruptcy from the date of the filing of the petition; or
- 25 4. A receiver in equity from the time of appointment;

26 **(bf)**~~(ba)~~ **1.** "Manufactured home" means a structure, transportable in one (1)  
 27 or more sections, which, in the traveling mode, is eight (8) body feet or

1 more in width or forty (40) body feet or more in length, or, when erected  
 2 on site, is three hundred twenty (320) or more square feet, and which is  
 3 built on a permanent chassis and designed to be used as a dwelling with  
 4 or without a permanent foundation when connected to the required  
 5 utilities, and includes the plumbing, heating, air-conditioning, and  
 6 electrical systems contained therein.

7 **2.** The term includes any structure that meets all of the requirements of this  
 8 paragraph except the size requirements and with respect to which the  
 9 manufacturer voluntarily files a certification required by the United  
 10 States Secretary of Housing and Urban Development and complies with  
 11 the standards established under Title 42 of the United States Code;

12 **(bg)**~~[(bb)]~~ "Manufactured-home transaction" means a secured transaction:

- 13 1. That creates a purchase-money security interest in a manufactured  
 14 home, other than a manufactured home held as inventory; or
- 15 2. In which a manufactured home, other than a manufactured home held as  
 16 inventory, is the primary collateral;

17 **(bh) "Money" has the meaning in Section 1 of this Act, but does not include:**

- 18 **1. A deposit account; or**
- 19 **2. Money in an electronic form that cannot be subjected to control under**  
 20 **Section 45 of this Act;**

21 **(bi)**~~[(be)]~~ "Mortgage" means a consensual interest in real property, including  
 22 fixtures, which secures payment or performance of an obligation;

23 **(bj)**~~[(bd)]~~ "New debtor" means a person that becomes bound as debtor under KRS  
 24 355.9-203(4) by a security agreement previously entered into by another  
 25 person;

26 **(bk)**~~[(be)]~~ **1.** "New value" means:

27 **a.**~~[1.]~~ Money;

1                    ~~b.~~<sup>[2.]</sup> Money's worth in property, services, or new credit; or  
 2                    ~~c.~~<sup>[3.]</sup> Release by a transferee of an interest in property previously  
 3                    transferred to the transferee.

4                    2. The term does not include an obligation substituted for another  
 5                    obligation;

6                    ~~(bl)~~<sup>[bf]</sup> "Noncash proceeds" means proceeds other than cash proceeds;

7                    ~~(bm)~~<sup>[bg]</sup> 1. "Obligor" means a person that, with respect to an obligation  
 8                    secured by a security interest in or an agricultural lien on the collateral:

9                    ~~a.~~<sup>[1.]</sup> Owes payment or other performance of the obligation;

10                   ~~b.~~<sup>[2.]</sup> Has provided property other than the collateral to secure payment  
 11                   or other performance of the obligation; or

12                   ~~c.~~<sup>[3.]</sup> Is otherwise accountable in whole or in part for payment or other  
 13                   performance of the obligation.

14                   2. The term does not include issuers or nominated persons under a letter of  
 15                   credit;

16                   ~~(bn)~~<sup>[bh]</sup> "Original debtor," except as used in KRS 355.9-310(3), means a person  
 17                   that, as debtor, entered into a security agreement to which a new debtor has  
 18                   become bound under KRS 355.9-203(4);

19                   ~~(bo)~~<sup>[bi]</sup> 1. "Payment intangible" means a general intangible under which the  
 20                   account debtor's principal obligation is a monetary obligation.

21                   2. ***The term includes a controllable payment intangible;***

22                   ~~(bp)~~<sup>[bj]</sup> "Person related to," with respect to an individual, means:

23                   1. The spouse of the individual;

24                   2. A brother, brother-in-law, sister, or sister-in-law of the individual;

25                   3. An ancestor or lineal descendant of the individual or the individual's  
 26                   spouse; or

27                   4. Any other relative, by blood or marriage, of the individual or the

1 individual's spouse who shares the same home with the individual;

2 ~~(bq)~~~~(bk)~~ "Person related to," with respect to an organization, means:

- 3 1. A person directly or indirectly controlling, controlled by, or under  
4 common control with the organization;
- 5 2. An officer or director of, or a person performing similar functions with  
6 respect to, the organization;
- 7 3. An officer or director of, or a person performing similar functions with  
8 respect to, a person described in subparagraph 1. of this paragraph;
- 9 4. The spouse of an individual described in subparagraph 1., 2., or 3. of  
10 this paragraph; or
- 11 5. An individual who is related by blood or marriage to an individual  
12 described in subparagraph 1., 2., 3., or 4. of this paragraph and shares  
13 the same home with the individual;

14 ~~(br)~~~~(bl)~~ "Proceeds," except as used in KRS 355.9-609(2), means the following  
15 property:

- 16 1. Whatever is acquired upon the sale, lease, license, exchange, or other  
17 disposition of collateral;
- 18 2. Whatever is collected on, or distributed on account of, collateral;
- 19 3. Rights arising out of collateral;
- 20 4. To the extent of the value of collateral, claims arising out of the loss,  
21 nonconformity, or interference with the use of, defects or infringement  
22 of rights in, or damage to, the collateral; or
- 23 5. To the extent of the value of collateral and to the extent payable to the  
24 debtor or the secured party, insurance payable by reason of the loss or  
25 nonconformity of, defects or infringement of rights in, or damage to, the  
26 collateral;

27 ~~(bs)~~~~(bm)~~ "Promissory note" means an instrument that evidences a promise to pay

1 a monetary obligation, does not evidence an order to pay, and does not  
2 contain an acknowledgment by a bank that the bank has received for deposit a  
3 sum of money or funds;

4 ~~(bt)~~~~(bn)~~ "Proposal" means a record signed~~[authenticated]~~ by a secured party  
5 which includes the terms on which the secured party is willing to accept  
6 collateral in full or partial satisfaction of the obligation it secures pursuant to  
7 KRS 355.9-620, 355.9-621, and 355.9-622;

8 ~~(bu)~~~~(be)~~ "Public-finance transaction" means a secured transaction in connection  
9 with which:

- 10 1. Debt securities are issued;
- 11 2. All or a portion of the securities issued have an initial stated maturity of  
12 at least twenty (20) years; and
- 13 3. The debtor, obligor, secured party, account debtor or other person  
14 obligated on collateral, assignor or assignee of a secured obligation, or  
15 assignor or assignee of a security interest is a state or a governmental  
16 unit of a state;

17 ~~(bv)~~~~(bp)~~ "Public organic record" means a record that is available to the public for  
18 inspection and that is:

- 19 1. A record consisting of the record initially filed with or issued by a state  
20 or the United States to form or organize an organization and any record  
21 filed with or issued by the state or the United States which amends or  
22 restates the initial record;
- 23 2. An organic record of a business trust consisting of the record initially  
24 filed with a state and any record filed with the state which amends or  
25 restates the initial record, if a statute of the state governing business  
26 trusts requires that the record be filed with the state; or
- 27 3. A record consisting of legislation enacted by the legislature of a state or

1 the Congress of the United States which forms or organizes an  
2 organization, any record amending the legislation, and any record filed  
3 with or issued by the state or United States which amends or restates the  
4 name of the organization;

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

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

14 ~~(by)~~~~(bs)~~ 1. "Registered organization" means an organization formed or  
15 organized solely under the law of a single state or the United States by  
16 the filing of a public organic record with, the issuance of a public  
17 organic record by, or the enactment of legislation by the state or the  
18 United States.

19 2. The term includes a business trust that is formed or organized under the  
20 law of a single state if a statute of the state governing business trusts  
21 requires that the business trust's organic record be filed with the state;

22 ~~(bz)~~~~(bt)~~ "Secondary obligor" means an obligor to the extent that:

- 23 1. The obligor's obligation is secondary; or
- 24 2. The obligor has a right of recourse with respect to an obligation secured  
25 by collateral against the debtor, another obligor, or property of either;

26 ~~(ca)~~~~(bu)~~ "Secured party" means:

- 27 1. A person in whose favor a security interest is created or provided for



- 1 under a security agreement, whether or not any obligation to be secured  
 2 is outstanding;
- 3 2. A person that holds an agricultural lien;
- 4 3. A consignor;
- 5 4. A person to which accounts, chattel paper, payment intangibles, or  
 6 promissory notes have been sold;
- 7 5. A trustee, indenture trustee, agent, collateral agent, or other  
 8 representative in whose favor a security interest or agricultural lien is  
 9 created or provided for; or
- 10 6. A person that holds a security interest arising under KRS 355.2-401,  
 11 355.2-505, 355.2-711(3), 355.2A-508(5), 355.4-210, or 355.5-118;

12 ~~(cb)~~~~(bv)~~ "Security agreement" means an agreement that creates or provides for a  
 13 security interest;

14 ~~(cc)~~~~(bw)~~ **Reserved**~~["Send," in connection with a record or notification, means:~~

- 15 ~~1. To deposit in the mail, deliver for transmission, or transmit by any other~~  
 16 ~~usual means of communication, with postage or cost of transmission~~  
 17 ~~provided for, addressed to any address reasonable under the~~  
 18 ~~circumstances; or~~
- 19 ~~2. To cause the record or notification to be received within the time that it~~  
 20 ~~would have been received if properly sent under subparagraph 1. of this~~  
 21 ~~paragraph];~~

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

26 ~~(ce)~~~~(by)~~ "State" means a state of the United States, the District of Columbia,  
 27 Puerto Rico, the United States Virgin Islands, or any territory or insular

1 possession subject to the jurisdiction of the United States;

2 ~~(cf)~~~~(bz)~~ "Supporting obligation" means a letter-of-credit right or secondary  
3 obligation that supports the payment or performance of an account, chattel  
4 paper, a document, a general intangible, an instrument, or investment  
5 property;

6 ~~(cg)~~~~(ca)~~ **Reserved**~~["Tangible chattel paper" means chattel paper evidenced by a  
7 record or records consisting of information that is inscribed on a tangible  
8 medium];~~

9 **(ch) "Tangible money" means money in a tangible form;**

10 ~~(ci)~~~~(cb)~~ "Termination statement" means an amendment of a financing statement  
11 which:

- 12 1. Identifies, by its file number, the initial financing statement to which it  
13 relates; and
- 14 2. Indicates either that it is a termination statement or that the identified  
15 financing statement is no longer effective; and

16 ~~(cj)~~~~(ce)~~ "Transmitting utility" means a person primarily engaged in the business  
17 of:

- 18 1. Operating a railroad, subway, street railway, or trolley bus;
- 19 2. Transmitting communications electrically, electromagnetically, or by  
20 light;
- 21 3. Transmitting goods by pipeline or sewer; or
- 22 4. Transmitting or producing and transmitting electricity, steam, gas, or  
23 water.

24 (2) **"Control" as provided in Section 36 of this Act and** the following definitions in  
25 other articles **of this chapter** apply to this article:

- 26 (a) "Applicant." KRS 355.5-102;
- 27 (b) "Beneficiary." KRS 355.5-102;

- 1 (c) "Broker." KRS 355.8-102;
- 2 (d) "Certificated security." KRS 355.8-102;
- 3 (e) "Check." KRS 355.3-104;
- 4 (f) "Clearing corporation." KRS 355.8-102;
- 5 (g) "Contract for sale." KRS 355.2-106;
- 6 (h) **"Controllable electronic record." Section 93 of this Act;**
- 7 **(i)** "Customer." KRS 355.4-104;
- 8 **(j)**~~(i)~~ "Entitlement holder." KRS 355.8-102;
- 9 **(k)**~~(j)~~ "Financial asset." KRS 355.8-102;
- 10 **(l)**~~(k)~~ "Holder in due course." KRS 355.3-302;
- 11 **(m)**~~(l)~~ "Issuer." (with respect to a letter of
- 12 credit or letter-of-credit right) KRS 355.5-102;
- 13 **(n)**~~(m)~~ "Issuer." (with respect to a security) KRS 355.8-201;
- 14 **(o)**~~(n)~~ "Lease." KRS 355.2A-103;
- 15 **(p)**~~(o)~~ "Lease agreement." KRS 355.2A-103;
- 16 **(q)**~~(p)~~ "Lease contract." KRS 355.2A-103;
- 17 **(r)**~~(q)~~ "Leasehold interest." KRS 355.2A-103;
- 18 **(s)**~~(r)~~ "Lessee." KRS 355.2A-103;
- 19 **(t)**~~(s)~~ "Lessee in ordinary course of business." KRS 355.2A-103;
- 20 **(u)**~~(t)~~ "Lessor." KRS 355.2A-103;
- 21 **(v)**~~(u)~~ "Lessor's residual interest." KRS 355.2A-103;
- 22 **(w)**~~(v)~~ "Letter of credit." KRS 355.5-102;
- 23 **(x)**~~(w)~~ "Merchant." KRS 355.2-104;
- 24 **(y)**~~(x)~~ "Negotiable instrument." KRS 355.3-104;
- 25 **(z)**~~(y)~~ "Nominated person." KRS 355.5-102;
- 26 **(aa)**~~(z)~~ "Note." KRS 355.3-104;
- 27 **(ab)**~~(aa)~~ "Proceeds of a letter of credit." KRS 355.5-114;

1 (ac) "Protected purchaser." Section 41 of this Act;

2 ~~(ad)~~~~(ab)~~ "Prove." KRS 355.3-103;

3 (ae) "Qualifying purchaser." Section 93 of this Act;

4 ~~(af)~~~~(ae)~~ "Sale." KRS 355.2-106;

5 ~~(ag)~~~~(ad)~~ "Securities account." KRS 355.8-501;

6 ~~(ah)~~~~(ae)~~ "Securities intermediary." KRS 355.8-102;

7 ~~(ai)~~~~(af)~~ "Security." KRS 355.8-102;

8 ~~(aj)~~~~(ag)~~ "Security certificate." KRS 355.8-102;

9 ~~(ak)~~~~(ah)~~ "Security entitlement." KRS 355.8-102; and

10 ~~(al)~~~~(ai)~~ "Uncertificated security." KRS 355.8-102.

11 (3) Article 1 of this chapter contains general definitions and principles of construction  
12 and interpretation applicable throughout this article.

13 ➔Section 43. KRS 355.9-104 is amended to read as follows:

14 (1) A secured party has control of a deposit account if:

15 (a) The secured party is the bank with which the deposit account is maintained;

16 (b) The debtor, secured party, and bank have agreed in a signed~~an authenticated~~  
17 record that the bank will comply with instructions originated by the secured  
18 party directing disposition of the funds in the deposit account without further  
19 consent by the debtor;~~or~~

20 (c) The secured party becomes the bank's customer with respect to the deposit  
21 account; or

22 (d) Another person, other than the debtor:

23 1. Has control of the deposit account and acknowledges that it has  
24 control on behalf of the secured party; or

25 2. Obtains control of the deposit account after having acknowledged that  
26 it will obtain control of the deposit account on behalf of the secured  
27 party.

1 (2) A secured party that has satisfied subsection (1) of this section has control, even if  
2 the debtor retains the right to direct the disposition of funds from the deposit  
3 account.

4 ➔SECTION 44. KRS 355.9-105 IS REPEALED AND REENACTED TO READ  
5 AS FOLLOWS:

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

10 (2) A system satisfies subsection (1) of this section if the record or records evidencing  
11 the chattel paper are created, stored, and assigned in a manner that:

12 (a) A single authoritative copy of the record or records exists which is unique,  
13 identifiable, and, except as otherwise provided in paragraphs (d), (e), and (f)  
14 of this subsection, unalterable;

15 (b) The authoritative copy identifies the purchaser as the assignee of the record  
16 or records;

17 (c) The authoritative copy is communicated to and maintained by the purchaser  
18 or its designated custodian;

19 (d) Copies or amendments that add or change an identified assignee of the  
20 authoritative copy can be made only with the consent of the purchaser;

21 (e) Each copy of the authoritative copy and any copy of a copy is readily  
22 identifiable as a copy that is not the authoritative copy; and

23 (f) Any amendment of the authoritative copy is readily identifiable as  
24 authorized or unauthorized.

25 (3) A system satisfies subsection (1) of this section, and a purchaser has control of an  
26 authoritative electronic copy of a record evidencing chattel paper, if the electronic  
27 copy, a record attached to or logically associated with the electronic copy, or a

1 system in which the electronic copy is recorded:

2 (a) Enables the purchaser to readily identify each electronic copy as either an  
3 authoritative copy or a nonauthoritative copy;

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

7 (c) Gives the purchaser exclusive power, subject to subsection (4) of this  
8 section, to:

9 1. Prevent others from adding or changing an identified assignee of the  
10 authoritative electronic copy; and

11 2. Transfer control of the authoritative electronic copy.

12 (4) Subject to subsection (5) of this section, a power is exclusive under subsection  
13 (3)(c)1. and 2. of this section even if:

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

19 (b) The power is shared with another person.

20 (5) A power of a purchaser is not shared with another person under subsection (4)(b)  
21 of this section and the purchaser's power is not exclusive if:

22 (a) The purchaser can exercise the power only if the power also is exercised by  
23 the other person; and

24 (b) The other person:

25 1. Can exercise the power without exercise of the power by the  
26 purchaser; or

27 2. Is the transferor to the purchaser of an interest in the chattel paper.

1 (6) If a purchaser has the powers specified in subsection (3)(c)1. and 2. of this  
2 section, the powers are presumed to be exclusive.

3 (7) A purchaser has control of an authoritative electronic copy of a record  
4 evidencing chattel paper if another person, other than the transferor to the  
5 purchaser of an interest in the chattel paper:

6 (a) Has control of the authoritative electronic copy and acknowledges that it  
7 has control on behalf of the purchaser; or

8 (b) Obtains control of the authoritative electronic copy after having  
9 acknowledged that it will obtain control of the electronic copy on behalf of  
10 the purchaser.

11 ➔SECTION 45. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
12 CREATED TO READ AS FOLLOWS:

13 (1) A person has control of electronic money if the electronic money, a record  
14 attached to or logically associated with the electronic money, or a system in which  
15 the electronic money is recorded:

16 (a) Gives the person:

17 1. Power to avail itself of substantially all the benefit from the electronic  
18 money; and

19 2. Exclusive power, subject to subsection (2) of this section, to:

20 a. Prevent others from availing themselves of substantially all the  
21 benefit from the electronic money; and

22 b. Transfer control of the electronic money to another person or  
23 cause another person to obtain control of other electronic money  
24 as a result of the transfer of the electronic money; and

25 (b) Enables the person readily to identify itself in any way, including by name,  
26 identifying number, cryptographic key, office, or account number, as  
27 having the powers under paragraph (a) of this subsection.

1 (2) Subject to subsection (3) of this section, a power is exclusive under subsection

2 (1)(a)2.a. and b. of this section even if:

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

7 (b) The power is shared with another person.

8 (3) A power of a person is not shared with another person under subsection (2)(b) of  
 9 this section and the person's power is not exclusive if:

10 (a) The person can exercise the power only if the power also is exercised by the  
 11 other person; and

12 (b) The other person:

13 1. Can exercise the power without exercise of the power by the person; or

14 2. Is the transferor to the person of an interest in the electronic money.

15 (4) If a person has the powers specified in subsection (1)(a)2.a. and b. of this section,  
 16 the powers are presumed to be exclusive.

17 (5) A person has control of electronic money if another person, other than the  
 18 transferor to the person of an interest in the electronic money:

19 (a) Has control of the electronic money and acknowledges that it has control on  
 20 behalf of the person; or

21 (b) Obtains control of the electronic money after having acknowledged that it  
 22 will obtain control of the electronic money on behalf of the person.

23 ➔SECTION 46. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
 24 CREATED TO READ AS FOLLOWS:

25 (1) A secured party has control of a controllable electronic record as provided in  
 26 Section 96 of this Act.

27 (2) A secured party has control of a controllable account or controllable payment



1 intangible if the secured party has control of the controllable electronic record  
 2 that evidences the controllable account or controllable payment intangible.

3 ➔SECTION 47. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
 4 CREATED TO READ AS FOLLOWS:

5 (1) A person that has control under Section 43 of this Act, Section 44 of this Act, or  
 6 Section 45 of this Act is not required to acknowledge that it has control on behalf  
 7 of another person.

8 (2) If a person acknowledges that it has or will obtain control on behalf of another  
 9 person, unless the person otherwise agrees or law other than this article  
 10 otherwise provides, the person does not owe any duty to the other person and is  
 11 not required to confirm the acknowledgment to any other person.

12 ➔Section 48. KRS 355.9-203 is amended to read as follows:

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

16 (2) Except as otherwise provided in subsections (3) to (9) of this section, a security  
 17 interest is enforceable against the debtor and third parties with respect to the  
 18 collateral only if:

19 (a) Value has been given;

20 (b) The debtor has rights in the collateral or the power to transfer rights in the  
 21 collateral to a secured party; and

22 (c) One (1) of the following conditions is met:

23 1. The debtor has ~~signed~~<sup>authenticated</sup> a security agreement that provides  
 24 a description of the collateral and, if the security interest covers timber  
 25 to be cut, a description of the land concerned;

26 2. The collateral is not a certificated security and is in the possession of the  
 27 secured party under KRS 355.9-313 pursuant to the debtor's security

- 1 agreement;
- 2 3. The collateral is a certificated security in registered form and the
- 3 security certificate has been delivered to the secured party under KRS
- 4 355.8-301 pursuant to the debtor's security agreement; ~~or~~
- 5 4. The collateral is **controllable accounts, controllable electronic records,**
- 6 **controllable payment intangibles,** deposit accounts, electronic
- 7 **documents** ~~[chattel paper],~~ **electronic money,** investment property, **or**
- 8 letter-of-credit rights, ~~or electronic documents,~~ and the secured party
- 9 has control under KRS 355.7-106, 355.9-104, ~~[355.9-105,]~~ **Section 45**
- 10 **of this Act,** 355.9-106, ~~or~~ 355.9-107, **or Section 46 of this Act**
- 11 pursuant to the debtor's security agreement; **or**
- 12 **5. The collateral is chattel paper and the secured party has possession**
- 13 **and control under Section 63 of this Act pursuant to the debtor's**
- 14 **security agreement.**

15 (3) Subsection (2) of this section is subject to KRS 355.4-210 on the security interest of

16 a collecting bank, KRS 355.5-118 on the security interest of a letter-of-credit issuer

17 or nominated person, KRS 355.9-110 on a security interest arising under Article 2

18 or 2A of this chapter, and KRS 355.9-206 on security interests in investment

19 property.

20 (4) A person becomes bound as debtor by a security agreement entered into by another

21 person if, by operation of law other than this article or by contract:

22 (a) The security agreement becomes effective to create a security interest in the

23 person's property; or

24 (b) The person becomes generally obligated for the obligations of the other

25 person, including the obligation secured under the security agreement, and

26 acquires or succeeds to all or substantially all of the assets of the other person.

27 (5) If a new debtor becomes bound as debtor by a security agreement entered into by

1 another person:

2 (a) The agreement satisfies subsection (2)(c) of this section with respect to  
3 existing or after-acquired property of the new debtor to the extent the property  
4 is described in the agreement; and

5 (b) Another agreement is not necessary to make a security interest in the property  
6 enforceable.

7 (6) The attachment of a security interest in collateral gives the secured party the rights  
8 to proceeds provided by KRS 355.9-315 and is also attachment of a security interest  
9 in a supporting obligation for the collateral.

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

13 (8) The attachment of a security interest in a securities account is also attachment of a  
14 security interest in the security entitlements carried in the securities account.

15 (9) The attachment of a security interest in a commodity account is also attachment of a  
16 security interest in the commodity contracts carried in the commodity account.

17 ➔Section 49. KRS 355.9-204 is amended to read as follows:

18 (1) Except as otherwise provided in subsection (2) of this section, a security agreement  
19 may create or provide for a security interest in after-acquired collateral.

20 (2) **(a) Subject to paragraph (b) of this subsection,** a security interest does not attach  
21 under a term constituting an after-acquired property clause to:

22 **1.[(a)]** Consumer goods, other than an accession when given as additional  
23 security, unless the debtor acquires rights in them within ten (10) days  
24 after the secured party gives value; or

25 **2.[(b)]** A commercial tort claim.

26 **(b) Paragraph (a) of this subsection does not prevent a security interest from**  
27 **attaching:**

- 1                    1. To consumer goods as proceeds under KRS 355.9-315(1) or  
 2                    commingled goods under KRS 355.9-336(3);  
 3                    2. To a commercial tort claim as proceeds under KRS 355.9-315(1); or  
 4                    3. Under an after-acquired property clause to property that is proceeds of  
 5                    consumer goods or a commercial tort claim.

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

10 ➔Section 50. KRS 355.9-207 is amended to read as follows:

11 (1) Except as otherwise provided in subsection (4) of this section:~~[-]~~

12 (a) A secured party shall use reasonable care in the custody and preservation of  
 13 collateral in the secured party's possession; and~~[-]~~

14 (b) In the case of chattel paper or an instrument, reasonable care includes taking  
 15 necessary steps to preserve rights against prior parties unless otherwise  
 16 agreed.

17 (2) Except as otherwise provided in subsection (4) of this section, if a secured party has  
 18 possession of collateral:

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

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

24 (c) The secured party shall keep the collateral identifiable, but fungible collateral  
 25 may be commingled; and

26 (d) The secured party may use or operate the collateral:

27 1. For the purpose of preserving the collateral or its value;

- 1           2. As permitted by an order of a court having competent jurisdiction; or
- 2           3. Except in the case of consumer goods, in the manner and to the extent
- 3           agreed by the debtor.
- 4 (3) Except as otherwise provided in subsection (4) of this section, a secured party
- 5           having possession of collateral or control of collateral under KRS 355.7-106, 355.9-
- 6           104, 355.9-105, **Section 45 of this Act**, 355.9-106,~~[or]~~ 355.9-107, **or Section 46 of**
- 7           **this Act**:
- 8           (a) May hold as additional security any proceeds, except money or funds,
- 9           received from the collateral;
- 10          (b) Shall apply money or funds received from the collateral to reduce the secured
- 11          obligation, unless remitted to the debtor; and
- 12          (c) May create a security interest in the collateral.
- 13 (4) If the secured party is a buyer of accounts, chattel paper, payment intangibles, or
- 14          promissory notes or a consignor:
- 15          (a) Subsection (1) of this section does not apply unless the secured party is
- 16          entitled under an agreement:
- 17                  1. To charge back uncollected collateral; or
- 18                  2. Otherwise to full or limited recourse against the debtor or a secondary
- 19                  obligor based on the nonpayment or other default of an account debtor
- 20                  or other obligor on the collateral; and
- 21          (b) Subsections (2) and (3) of this section do not apply.
- 22          ➔Section 51. KRS 355.9-208 is amended to read as follows:
- 23 (1) This section applies to cases in which:
- 24          **(a)** There is no outstanding secured obligation; and
- 25          **(b)** The secured party is not committed to make advances, incur obligations, or
- 26          otherwise give value.
- 27 (2) Within ten (10) days after receiving **a signed**~~[an authenticated]~~ demand by the

1 debtor:

2 (a) A secured party having control of a deposit account under KRS 355.9-  
3 104(1)(b) shall send to the bank with which the deposit account is maintained  
4 **a signed record**~~[an authenticated statement]~~ that releases the bank from any  
5 further obligation to comply with instructions originated by the secured party;

6 (b) A secured party having control of a deposit account under KRS 355.9-  
7 104(1)(c) shall:

- 8 1. Pay the debtor the balance on deposit in the deposit account; or  
9 2. Transfer the balance on deposit into a deposit account in the debtor's  
10 name;

11 (c) A secured party, other than a buyer, having control~~[of electronic chattel~~  
12 ~~paper]~~ under KRS 355.9-105 **of an authoritative electronic copy of a record**  
13 **evidencing chattel paper** shall **transfer control of the electronic copy to the**  
14 **debtor or a person designated by the debtor**~~];~~

- 15 ~~1. Communicate the authoritative copy of the electronic chattel paper to~~  
16 ~~the debtor or its designated custodian;~~  
17 ~~2. If the debtor designates a custodian that is the designated custodian with~~  
18 ~~which the authoritative copy of the electronic chattel paper is maintained~~  
19 ~~for the secured party, communicate to the custodian an authenticated~~  
20 ~~record releasing the designated custodian from any further obligation to~~  
21 ~~comply with instructions originated by the secured party and instructing~~  
22 ~~the custodian to comply with instructions originated by the debtor; and~~  
23 ~~3. Take appropriate action to enable the debtor or its designated custodian~~  
24 ~~to make copies of or revisions to the authoritative copy which add or~~  
25 ~~change an identified assignee of the authoritative copy without the~~  
26 ~~consent of the secured party];~~

27 (d) A secured party having control of investment property under KRS 355.8-

1 106(4)(b) or 355.9-106(2) shall send to the securities intermediary or  
2 commodity intermediary with which the security entitlement or commodity  
3 contract is maintained a signed~~[an authenticated]~~ record that releases the  
4 securities intermediary or commodity intermediary from any further  
5 obligation to comply with entitlement orders or directions originated by the  
6 secured party;

7 (e) A secured party having control of a letter-of-credit right under KRS 355.9-107  
8 shall send to each person having an unfulfilled obligation to pay or deliver  
9 proceeds of the letter of credit to the secured party a signed~~[an authenticated]~~  
10 release from any further obligation to pay or deliver proceeds of the letter of  
11 credit to the secured party;~~[and]~~

12 (f) A secured party having control under Section 36 of this Act of an  
13 authoritative electronic copy of an electronic document shall transfer control  
14 of the electronic copy to the debtor or a person designated by the debtor;~~;~~

15 1. ~~Give control of the electronic document to the debtor or its designated~~  
16 ~~custodian;~~

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

23 3. ~~Take appropriate action to enable the debtor or its designated custodian~~  
24 ~~to make copies of or revisions to the authoritative copy which add or~~  
25 ~~change an identified assignee of the authoritative copy without the~~  
26 ~~consent of the secured party]~~

27 (g) A secured party having control under Section 45 of this Act of electronic

1           money shall transfer control of the electronic copy to the debtor or a person  
 2           designated by the debtor; and  
 3           (h) A secured party having control under Section 96 of this Act of a  
 4           controllable electronic record, other than a buyer of a controllable account  
 5           or controllable payment intangible evidenced by the controllable electronic  
 6           record, shall transfer control of the controllable electronic record to the  
 7           debtor or a person designated by the debtor.

8           ➔Section 52. KRS 355.9-209 is amended to read as follows:

- 9           (1) Except as otherwise provided in subsection (3) of this section, this section applies  
 10          if:  
 11          (a) There is no outstanding secured obligation; and  
 12          (b) The secured party is not committed to make advances, incur obligations, or  
 13          otherwise give value.
- 14          (2) Within ten (10) days after receiving a signed~~[an authenticated]~~ demand by the  
 15          debtor, a secured party shall send to an account debtor that has received notification  
 16          under subsection (1) of Section 75 of this Act or subsection (2) of Section 97 of  
 17          this Act of an assignment to the secured party as assignee a signed~~[under KRS~~  
 18          ~~355.9-406(1) an authenticated]~~ record that releases the account debtor from any  
 19          further obligation to the secured party.
- 20          (3) This section does not apply to an assignment constituting the sale of an account,  
 21          chattel paper, or payment intangible.

22          ➔Section 53. KRS 355.9-210 is amended to read as follows:

- 23          (1) In this section:  
 24          (a) "Request" means a record of a type described in paragraph (b), (c), or (d) of  
 25          this subsection.  
 26          (b) "Request for an accounting" means a record signed~~[authenticated]~~ by a debtor  
 27          requesting that the recipient provide an accounting of the unpaid obligations



1           secured by collateral and reasonably identifying the transaction or relationship  
2           that is the subject of the request.

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

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

13       (2) Subject to subsections (3), (4), (5), and (6) of this section, a secured party, other  
14       than a buyer of accounts, chattel paper, payment intangibles, or promissory notes or  
15       a consignor, shall comply with a request within fourteen (14) days after receipt:

16       (a) In the case of a request for an accounting, by signing~~[authenticating]~~ and  
17       sending to the debtor an accounting; and

18       (b) In the case of a request regarding a list of collateral or a request regarding a  
19       statement of account, by signing~~[authenticating]~~ and sending to the debtor an  
20       approval or correction.

21       (3) A secured party that claims a security interest in all of a particular type of collateral  
22       owned by the debtor may comply with a request regarding a list of collateral by  
23       sending to the debtor a signed~~[an authenticated]~~ record including a statement to that  
24       effect within fourteen (14) days after receipt.

25       (4) A person that receives a request regarding a list of collateral, claims no interest in  
26       the collateral when it receives the request, and claimed an interest in the collateral  
27       at an earlier time shall comply with the request within fourteen (14) days after

1 receipt by sending to the debtor a signed~~[an authenticated]~~ record:

2 (a) Disclaiming any interest in the collateral; and

3 (b) If known to the recipient, providing the name and mailing address of any  
4 assignee of or successor to the recipient's interest in the collateral.

5 (5) A person that receives a request for an accounting or a request regarding a  
6 statement of account, claims no interest in the obligations when it receives the  
7 request, and claimed an interest in the obligations at an earlier time shall comply  
8 with the request within fourteen (14) days after receipt by sending to the debtor a  
9 signed~~[an authenticated]~~ record:

10 (a) Disclaiming any interest in the obligations; and

11 (b) If known to the recipient, providing the name and mailing address of any  
12 assignee of or successor to the recipient's interest in the obligations.

13 (6) (a) A debtor is entitled without charge to one (1) response to a request under this  
14 section during any six (6) month period.

15 (b) The secured party may require payment of a charge not exceeding twenty-five  
16 dollars (\$25) for each additional response.

17 ➔Section 54. KRS 355.9-301 is amended to read as follows:

18 Except as otherwise provided in KRS 355.9-303 to Section 58 of this Act~~[355.9-306]~~, the  
19 following rules determine the law governing perfection, the effect of perfection or  
20 nonperfection, and the priority of a security interest in collateral:

21 (1) Except as otherwise provided in this section, while a debtor is located in a  
22 jurisdiction, the local law of that jurisdiction governs perfection, the effect of  
23 perfection or nonperfection, and the priority of a security interest in collateral;~~[-]~~

24 (2) While collateral is located in a jurisdiction, the local law of that jurisdiction governs  
25 perfection, the effect of perfection or nonperfection, and the priority of a possessory  
26 security interest in that collateral;~~[-]~~

27 (3) Except as otherwise provided in subsection (4) of this section, while negotiable

1        tangible~~[negotiable]~~ documents, goods, instruments, or tangible money~~[, or~~  
 2        ~~tangible chattel paper]~~ is located in a jurisdiction, the local law of that jurisdiction  
 3        governs:

- 4        (a) Perfection of a security interest in the goods by filing a fixture filing;  
 5        (b) Perfection of a security interest in timber to be cut; and  
 6        (c) The effect of perfection or nonperfection and the priority of a nonpossessory  
 7        security interest in the collateral; and~~[,]~~
- 8        (4) The local law of the jurisdiction in which the wellhead or minehead is located  
 9        governs perfection, the effect of perfection or nonperfection, and the priority of a  
 10       security interest in as-extracted collateral.

11       ➔Section 55. KRS 355.9-304 is amended to read as follows:

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

16       (2) The following rules determine a bank's jurisdiction for purposes of this part of this  
 17       article:

18       (a) If an agreement between the bank and its customer governing the deposit  
 19       account expressly provides that a particular jurisdiction is the bank's  
 20       jurisdiction for purposes of this part of this article, this article, or this chapter,  
 21       that jurisdiction is the bank's jurisdiction;~~[,]~~

22       (b) If paragraph (a) of this subsection does not apply and an agreement between  
 23       the bank and its customer governing the deposit account expressly provides  
 24       that the agreement is governed by the law of a particular jurisdiction, that  
 25       jurisdiction is the bank's jurisdiction;~~[,]~~

26       (c) If neither paragraph (a) nor (b) of this subsection applies and an agreement  
 27       between the bank and its customer governing the deposit account expressly

1 provides that the deposit account is maintained at an office in a particular  
2 jurisdiction, that jurisdiction is the bank's jurisdiction;~~[-]~~

3 (d) If none of the preceding paragraphs applies, the bank's jurisdiction is the  
4 jurisdiction in which the office identified in an account statement as the office  
5 serving the customer's account is located; **and**~~[-]~~

6 (e) If none of the preceding paragraphs applies, the bank's jurisdiction is the  
7 jurisdiction in which the chief executive office of the bank is located.

8 ➔Section 56. KRS 355.9-305 is amended to read as follows:

9 (1) Except as otherwise provided in subsection (3) of this section, the following rules  
10 apply:

11 (a) While a security certificate is located in a jurisdiction, the local law of that  
12 jurisdiction governs perfection, the effect of perfection or nonperfection, and  
13 the priority of a security interest in the certificated security represented  
14 thereby;~~[-]~~

15 (b) The local law of the issuer's jurisdiction as specified in KRS 355.8-110(4)  
16 governs perfection, the effect of perfection or nonperfection, and the priority  
17 of a security interest in an uncertificated security;~~[-]~~

18 (c) The local law of the securities intermediary's jurisdiction as specified in KRS  
19 355.8-110(5) governs perfection, the effect of perfection or nonperfection, and  
20 the priority of a security interest in a security entitlement or securities  
21 account;~~[-]~~

22 (d) The local law of the commodity intermediary's jurisdiction governs  
23 perfection, the effect of perfection or nonperfection, and the priority of a  
24 security interest in a commodity contract or commodity account; **and**

25 **(e) Paragraphs (b), (c), and (d) of this subsection apply even if the transaction**  
26 **does not bear any relation to the jurisdiction.**

27 (2) The following rules determine a commodity intermediary's jurisdiction for purposes

1 of this part of this article:

2 (a) If an agreement between the commodity intermediary and commodity  
3 customer governing the commodity account expressly provides that a  
4 particular jurisdiction is the commodity intermediary's jurisdiction for  
5 purposes of this part of this article, this article, or this chapter, that jurisdiction  
6 is the commodity intermediary's jurisdiction; ~~and~~

7 (b) If paragraph (a) of this subsection does not apply and an agreement between  
8 the commodity intermediary and commodity customer governing the  
9 commodity account expressly provides that the agreement is governed by the  
10 law of a particular jurisdiction, that jurisdiction is the commodity  
11 intermediary's jurisdiction; ~~and~~

12 (c) If neither paragraph (a) nor paragraph (b) of this subsection applies and an  
13 agreement between the commodity intermediary and commodity customer  
14 governing the commodity account expressly provides that the commodity  
15 account is maintained at an office in a particular jurisdiction, that jurisdiction  
16 is the commodity intermediary's jurisdiction; ~~and~~

17 (d) If none of the preceding paragraphs applies, the commodity intermediary's  
18 jurisdiction is the jurisdiction in which the office identified in an account  
19 statement as the office serving the commodity customer's account is located;  
20 and ~~and~~

21 (e) If none of the preceding paragraphs applies, the commodity intermediary's  
22 jurisdiction is the jurisdiction in which the chief executive office of the  
23 commodity intermediary is located.

24 (3) The local law of the jurisdiction in which the debtor is located governs:

25 (a) Perfection of a security interest in investment property by filing;

26 (b) Automatic perfection of a security interest in investment property created by a  
27 broker or securities intermediary; and

1 (c) Automatic perfection of a security interest in a commodity contract or  
2 commodity account created by a commodity intermediary.

3 ➔SECTION 57. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
4 CREATED TO READ AS FOLLOWS:

5 (1) Except as provided in subsection (4) of this section, if chattel paper is evidenced  
6 only by an authoritative electronic copy of the chattel paper or is evidenced by an  
7 authoritative electronic copy and an authoritative tangible copy, the local law of  
8 the chattel paper's jurisdiction governs perfection, the effect of perfection or  
9 nonperfection, and the priority of a security interest in the chattel paper, even if  
10 the transaction does not bear any relation to the chattel paper's jurisdiction.

11 (2) The following rules determine the chattel paper's jurisdiction under this section:

12 (a) If the authoritative electronic copy of the record evidencing chattel paper, or  
13 a record attached to or logically associated with the electronic copy and  
14 readily available for review, expressly provides that a particular jurisdiction  
15 is the chattel paper's jurisdiction for purposes of this part, this article, or  
16 this chapter, that jurisdiction is the chattel paper's jurisdiction;

17 (b) If paragraph (a) of this subsection does not apply and the rules of the  
18 system in which the authoritative electronic copy is recorded are readily  
19 available for review and expressly provide that a particular jurisdiction is  
20 the chattel paper's jurisdiction for purposes of this part, this article, or this  
21 chapter, that jurisdiction is the chattel paper's jurisdiction;

22 (c) If paragraphs (a) and (b) of this subsection do not apply and the  
23 authoritative electronic copy, or a record attached to or logically associated  
24 with the electronic copy and readily available for review, expressly provides  
25 that the chattel paper is governed by the law of a particular jurisdiction, that  
26 jurisdiction is the chattel paper's jurisdiction;

27 (d) If paragraphs (a), (b), and (c) of this subsection do not apply and the rules

1 of the system in which the authoritative electronic copy is recorded are  
 2 readily available for review and expressly provide that the chattel paper or  
 3 the system is governed by the law of a particular jurisdiction, that  
 4 jurisdiction is the chattel paper's jurisdiction; and

5 (e) If paragraphs (a) to (d) of this subsection do not apply, the chattel paper's  
 6 jurisdiction is the jurisdiction in which the debtor is located.

7 (3) If an authoritative tangible copy of a record evidences chattel paper and the  
 8 chattel paper is not evidenced by an authoritative electronic copy, while the  
 9 authoritative tangible copy of the record evidencing chattel paper is located in a  
 10 jurisdiction, the local law of that jurisdiction governs:

11 (a) Perfection of a security interest in the chattel paper by possession under  
 12 Section 63 of this Act; and

13 (b) The effect of perfection or nonperfection and the priority of a security  
 14 interest in the chattel paper.

15 (4) The local law of the jurisdiction in which the debtor is located governs perfection  
 16 of a security interest in chattel paper by filing.

17 ➔SECTION 58. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
 18 CREATED TO READ AS FOLLOWS:

19 (1) Except as provided in subsection (2) of this section, the local law of the  
 20 controllable electronic record's jurisdiction specified in subsections (3) and (4) of  
 21 Section 98 of this Act governs perfection, the effect of perfection or  
 22 nonperfection, and the priority of a security interest in a controllable electronic  
 23 record and a security interest in a controllable account or controllable payment  
 24 intangible evidenced by the controllable electronic record.

25 (2) The local law of the jurisdiction in which the debtor is located governs:

26 (a) Perfection of a security interest in a controllable account, controllable  
 27 electronic record, or controllable payment intangible by filing; and

1        **(b) Automatic perfection of a security interest in a controllable payment**  
 2                    **intangible created by a sale of the controllable payment intangible.**

3        ➔Section 59. KRS 355.9-310 is amended to read as follows:

4        (1) Except as otherwise provided in subsection (2) of this section and KRS 355.9-  
 5        312(2), a financing statement must be filed to perfect all security interests and  
 6        agricultural liens.

7        (2) The filing of a financing statement is not necessary to perfect a security interest:

8            (a) That is perfected under KRS 355.9-308(4), (5), (6), or (7);

9            (b) That is perfected under KRS 355.9-309 when it attaches;

10          (c) In property subject to a statute, regulation, or treaty described in KRS 355.9-  
 11          311(1);

12          (d) In goods in possession of a bailee which is perfected under KRS 355.9-  
 13          312(4)(a) or (b);

14          (e) In certificated securities, documents, goods, or instruments which is perfected  
 15          without filing, control, or possession under KRS 355.9-312(5), (6), or (7);

16          (f) In collateral in the secured party's possession under KRS 355.9-313;

17          (g) In a certificated security which is perfected by delivery of the security  
 18          certificate to the secured party under KRS 355.9-313;

19          (h) In **controllable accounts, controllable electronic records, controllable**  
 20                    **payment intangibles,** deposit accounts,~~[electronic chattel paper,]~~ electronic  
 21          documents, investment property, or letter-of-credit rights which is perfected  
 22          by control under KRS 355.9-314;

23          (i) In proceeds which is perfected under KRS 355.9-315;~~[or]~~

24          (j) That is perfected under KRS 355.9-316; **or**

25          **(k) In chattel paper which is perfected by possession and control under Section**  
 26                    **63 of this Act.**

27        (3) If a secured party assigns a perfected security interest or agricultural lien, a filing



1 under this article is not required to continue the perfected status of the security  
2 interest against creditors of and transferees from the original debtor.

3 ➔Section 60. KRS 355.9-312 is amended to read as follows:

- 4 (1) A security interest in chattel paper, **controllable accounts, controllable electronic**  
5 **records, controllable payment intangibles**~~negotiable documents~~, instruments,~~[-of]~~  
6 investment property, **or negotiable documents** may be perfected by filing.
- 7 (2) Except as otherwise provided in KRS 355.9-315(3) and (4) for proceeds:
- 8 (a) A security interest in a deposit account may be perfected only by control  
9 under KRS 355.9-314;
- 10 (b) And except as otherwise provided in KRS 355.9-308(4), a security interest in  
11 a letter-of-credit right may be perfected only by control under KRS 355.9-  
12 314;~~and~~
- 13 (c) A security interest in **tangible** money may be perfected only by the secured  
14 party's taking possession under KRS 355.9-313; **and**
- 15 **(d) A security interest in electronic money may be perfected only by control**  
16 **under Section 62 of this Act.**
- 17 (3) While goods are in the possession of a bailee that has issued a negotiable document  
18 covering the goods:
- 19 (a) A security interest in the goods may be perfected by perfecting a security  
20 interest in the document; and
- 21 (b) A security interest perfected in the document has priority over any security  
22 interest that becomes perfected in the goods by another method during that  
23 time.
- 24 (4) While goods are in the possession of a bailee that has issued a nonnegotiable  
25 document covering the goods, a security interest in the goods may be perfected by:
- 26 (a) Issuance of a document in the name of the secured party;
- 27 (b) The bailee's receipt of notification of the secured party's interest; or

1 (c) Filing as to the goods.

2 (5) A security interest in certificated securities, negotiable documents, or instruments is  
 3 perfected without filing or the taking of possession or control for a period of twenty  
 4 (20) days from the time it attaches to the extent that it arises for new value given  
 5 under a signed~~[an authenticated]~~ security agreement.

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

10 (a) Ultimate sale or exchange; or

11 (b) Loading, unloading, storing, shipping, transshipping, manufacturing,  
 12 processing, or otherwise dealing with them in a manner preliminary to their  
 13 sale or exchange.

14 (7) A perfected security interest in a certificated security or instrument remains  
 15 perfected for twenty (20) days without filing if the secured party delivers the  
 16 security certificate or instrument to the debtor for the purpose of:

17 (a) Ultimate sale or exchange; or

18 (b) Presentation, collection, enforcement, renewal, or registration of transfer.

19 (8) After the twenty (20) day period specified in subsection (5), (6), or (7) of this  
 20 section expires, perfection depends upon compliance with this article.

21 ➔Section 61. KRS 355.9-313 is amended to read as follows:

22 (1) (a) Except as otherwise provided in subsection (2) of this section, a secured party  
 23 may perfect a security interest in~~[ tangible negotiable documents,]~~ goods,  
 24 instruments, negotiable tangible documents, or tangible money~~[, or tangible~~  
 25 ~~chattel paper]~~ by taking possession of the collateral.

26 (b) A secured party may perfect a security interest in certificated securities by  
 27 taking delivery of the certificated securities under KRS 355.8-301.

- 1 (2) With respect to goods covered by a certificate of title issued by this  
2 Commonwealth, a secured party may perfect a security interest in the goods by  
3 taking possession of the goods only in the circumstances described in KRS 355.9-  
4 316(4).
- 5 (3) With respect to collateral other than certificated securities and goods covered by a  
6 document, a secured party takes possession of collateral in the possession of a  
7 person other than the debtor, the secured party, or a lessee of the collateral from the  
8 debtor in the ordinary course of the debtor's business, when:
- 9 (a) The person in possession ~~signs~~~~authenticates~~ a record acknowledging that it  
10 holds possession of the collateral for the secured party's benefit; or
- 11 (b) The person takes possession of the collateral after having  
12 ~~signed~~~~authenticates~~ a record acknowledging that it will hold possession of  
13 ~~the~~ collateral for the secured party's benefit.
- 14 (4) If perfection of a security interest depends upon possession of the collateral by a  
15 secured party, perfection occurs ~~not~~~~no~~ earlier than the time the secured party takes  
16 possession and continues only while the secured party retains possession.
- 17 (5) A security interest in a certificated security in registered form is perfected by  
18 delivery when delivery of the certificated security occurs under KRS 355.8-301 and  
19 remains perfected by delivery until the debtor obtains possession of the security  
20 certificate.
- 21 (6) A person in possession of collateral is not required to acknowledge that it holds  
22 possession for a secured party's benefit.
- 23 (7) If a person acknowledges that it holds possession for the secured party's benefit:
- 24 (a) The acknowledgment is effective under subsection (3) of this section or KRS  
25 355.8-301(1), even if the acknowledgment violates the rights of a debtor; and
- 26 (b) Unless the person otherwise agrees or law other than this article otherwise  
27 provides, the person does not owe any duty to the secured party and is not

1 required to confirm the acknowledgment to another person.

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

6 (a) To hold possession of the collateral for the secured party's benefit; or

7 (b) To redeliver the collateral to the secured party.

8 (9) (a) A secured party does not relinquish possession, even if a delivery under  
9 subsection (8) of this section violates the rights of a debtor.

10 (b) A person to which collateral is delivered under subsection (8) of this section  
11 does not owe any duty to the secured party and is not required to confirm the  
12 delivery to another person unless the person otherwise agrees or law other  
13 than this article otherwise provides.

14 ➔Section 62. KRS 355.9-314 is amended to read as follows:

15 (1) A security interest in controllable accounts, controllable electronic records,  
16 controllable payment intangibles, deposit accounts, electronic documents,  
17 electronic money, investment property, ~~deposit accounts,~~ or letter-of-credit  
18 rights~~, electronic chattel paper, or electronic documents~~ may be perfected by  
19 control of the collateral under KRS 355.7-106, 355.9-104, ~~355.9-105,~~ Section 45  
20 of this Act, 355.9-106, ~~or~~ 355.9-107, or Section 46 of this Act.

21 (2) A security interest in controllable accounts, controllable electronic records,  
22 controllable payment intangibles, deposit accounts, electronic documents,  
23 electronic money~~chattel paper,~~ or letter-of-credit rights~~, or electronic documents~~  
24 is perfected by control under KRS 355.7-106, 355.9-104, ~~355.9-105,~~ Section 45  
25 of this Act, ~~or~~ 355.9-107, or Section 46 of this Act not earlier than the time  
26 when the secured party obtains control and remains perfected by control only while  
27 the secured party retains control.

- 1 (3) A security interest in investment property is perfected by control under KRS 355.9-  
 2 106 not earlier than~~from~~ the time the secured party obtains control and remains  
 3 perfected by control until:
- 4 (a) The secured party does not have control; and
- 5 (b) One (1) of the following occurs:
- 6 1. If the collateral is a certificated security, the debtor has or acquires  
 7 possession of the security certificate;
- 8 2. If the collateral is an uncertificated security, the issuer has registered or  
 9 registers the debtor as the registered owner; or
- 10 3. If the collateral is a security entitlement, the debtor is or becomes the  
 11 entitlement holder.

12 ➔SECTION 63. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
 13 CREATED TO READ AS FOLLOWS:

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

18 **(2) A security interest is perfected under subsection (1) of this section not earlier**  
 19 **than the time the secured party takes possession and obtains control and remains**  
 20 **perfected under subsection (1) of this section only while the secured party retains**  
 21 **possession and control.**

22 **(3) Subsections (3) and (6) to (9) of Section 61 of this Act apply to perfection by**  
 23 **possession of an authoritative tangible copy of a record evidencing chattel paper.**

24 ➔Section 64. KRS 355.9-316 is amended to read as follows:

- 25 (1) A security interest perfected pursuant to the law of the jurisdiction designated in  
 26 KRS 355.9-301(1),~~or~~ 355.9-305(3), **subsection (4) of Section 57 of this Act, or**  
 27 **subsection (2) of Section 58 of this Act** remains perfected until the earliest of:

- 1 (a) The time perfection would have ceased under the law of that jurisdiction;
- 2 (b) The expiration of four (4) months after a change of the debtor's location to  
3 another jurisdiction; or
- 4 (c) The expiration of one (1) year after a transfer of collateral to a person that  
5 thereby becomes a debtor and is located in another jurisdiction.
- 6 (2) If a security interest described in subsection (1) of this section becomes perfected  
7 under the law of the other jurisdiction before the earliest time or event described in  
8 that subsection, it remains perfected thereafter. If the security interest does not  
9 become perfected under the law of the other jurisdiction before the earliest time or  
10 event, it becomes unperfected and is deemed never to have been perfected as  
11 against a purchaser of the collateral for value.
- 12 (3) A possessory security interest in collateral, other than goods covered by a certificate  
13 of title and as-extracted collateral consisting of goods, remains continuously  
14 perfected if:
- 15 (a) The collateral is located in one jurisdiction and subject to a security interest  
16 perfected under the law of that jurisdiction;
- 17 (b) Thereafter the collateral is brought into another jurisdiction; and
- 18 (c) Upon entry into the other jurisdiction, the security interest is perfected under  
19 the law of the other jurisdiction.
- 20 (4) Except as otherwise provided in subsection (5) of this section, a security interest in  
21 goods covered by a certificate of title which is perfected by any method under the  
22 law of another jurisdiction when the goods become covered by a certificate of title  
23 from this Commonwealth remains perfected until the security interest would have  
24 become unperfected under the law of the other jurisdiction had the goods not  
25 become so covered.
- 26 (5) A security interest described in subsection (4) of this section becomes unperfected  
27 as against a purchaser of the goods for value and is deemed never to have been

1 perfected as against a purchaser of the goods for value if the applicable  
2 requirements for perfection under KRS 355.9-311(2) or 355.9-313 are not satisfied  
3 before the earlier of:

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

7 (b) The expiration of four (4) months after the goods had become so covered.

8 (6) A security interest in chattel paper, controllable accounts, controllable electronic  
9 records, controllable payment intangibles, deposit accounts, letter-of-credit rights,  
10 or investment property which is perfected under the law of the chattel paper's  
11 jurisdiction, the controllable electronic record's jurisdiction, the bank's  
12 jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities  
13 intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as  
14 applicable, remains perfected until the earlier of:

15 (a) The time the security interest would have become unperfected under the law  
16 of that jurisdiction; or

17 (b) The expiration of four (4) months after a change of the applicable jurisdiction  
18 to another jurisdiction.

19 (7) If a security interest described in subsection (6) of this section becomes perfected  
20 under the law of the other jurisdiction before the earlier of the time or the end of the  
21 period described in that subsection, it remains perfected thereafter. If the security  
22 interest does not become perfected under the law of the other jurisdiction before the  
23 earlier of that time or the end of that period, it becomes unperfected and is deemed  
24 never to have been perfected as against a purchaser of the collateral for value.

25 (8) The following rules apply to collateral to which a security interest attaches within  
26 four (4) months after the debtor changes its location to another jurisdiction:

27 (a) A financing statement filed before the change pursuant to the law of the

1 jurisdiction designated in KRS 355.9-301(1) or 355.9-305(3) is effective to  
2 perfect a security interest in the collateral if the financing statement would  
3 have been effective to perfect a security interest in the collateral if the debtor  
4 had not changed its location; and

5 (b) If a security interest that is perfected by a financing statement that is effective  
6 under paragraph (a) of this subsection becomes perfected under the law of the  
7 other jurisdiction before the earlier of the time the financing statement would  
8 have become ineffective under the law of the jurisdiction designated in KRS  
9 355.9-301(1) or 355.9-305(3) or the expiration of the four (4) month period, it  
10 remains perfected thereafter. If the security interest does not become perfected  
11 under the law of the other jurisdiction before the earlier time or event, it  
12 becomes unperfected and is deemed never to have been perfected as against a  
13 purchaser of the collateral for value.

14 (9) If a financing statement naming an original debtor is filed pursuant to the law of the  
15 jurisdiction designated in KRS 355.9-301(1) or 355.9-305(3) and the new debtor is  
16 located in another jurisdiction, the following rules apply:

17 (a) The financing statement is effective to perfect a security interest in collateral  
18 in which the new debtor has or acquires rights before or within four (4)  
19 months after the new debtor becomes bound under KRS 355.9-203(4), if the  
20 financing statement would have been effective to perfect a security interest in  
21 the collateral if the collateral had been acquired by the original debtor; and

22 (b) A security interest that is perfected by the financing statement and which  
23 becomes perfected under the law of the other jurisdiction before the earlier of  
24 the expiration of the four (4) month period or the time the financing statement  
25 would have become ineffective under the law of the jurisdiction designated in  
26 KRS 355.9-301(1) or 355.9-305(3) remains perfected thereafter. A security  
27 interest that is perfected by the financing statement but which does not



1           become perfected under the law of the other jurisdiction before the earlier  
2           time or event becomes unperfected and is deemed never to have been  
3           perfected as against a purchaser of the collateral for value.

4           ➔Section 65. KRS 355.9-317 is amended to read as follows:

- 5           (1) A security interest or agricultural lien is subordinate to the rights of:
- 6           (a) A person entitled to priority under KRS 355.9-322; and
- 7           (b) Except as otherwise provided in subsection (5) of this section, a person that
- 8           becomes a lien creditor before the earlier of the time:
- 9           1. The security interest or agricultural lien is perfected; or
- 10           2. One (1) of the conditions specified in KRS 355.9-203(2)(c) is met and a
- 11           financing statement covering the collateral is filed.
- 12           (2) Except as otherwise provided in subsection (5) of this section, a buyer, other than a
- 13           secured party, of  ~~tangible chattel paper, documents,~~ goods, instruments, **tangible**
- 14           **documents**, or a certificated security takes free of a security interest or agricultural
- 15           lien if the buyer gives value and receives delivery of the collateral without
- 16           knowledge of the security interest or agricultural lien and before it is perfected.
- 17           (3) Except as otherwise provided in subsection (5) of this section, a lessee of goods
- 18           takes free of a security interest or agricultural lien if the lessee gives value and
- 19           receives delivery of the collateral without knowledge of the security interest or
- 20           agricultural lien and before it is perfected.
- 21           (4) **Subject to subsections (6) to (9) of this section**, a licensee of a general intangible or
- 22           a buyer, other than a secured party, of collateral other than **electronic**
- 23           **money**,  ~~tangible chattel paper, tangible documents,~~ goods, instruments, **tangible**
- 24           **documents**, or a certificated security takes free of a security interest if the licensee
- 25           or buyer gives value without knowledge of the security interest and before it is
- 26           perfected.
- 27           (5) Except as otherwise provided in KRS 355.9-320 and 355.9-321, if a person files a

1 financing statement with respect to a purchase-money security interest before or  
2 within twenty (20) days after the debtor receives delivery of the collateral, the  
3 security interest takes priority over the rights of a buyer, lessee, or lien creditor  
4 which arise between the time the security interest attaches and the time of filing.

5 **(6) A buyer, other than a secured party, of chattel paper takes free of a security**  
6 **interest if, without knowledge of the security interest and before it is perfected,**  
7 **the buyer gives value and:**

8 **(a) Receives delivery of each authoritative tangible copy of the record**  
9 **evidencing the chattel paper; and**

10 **(b) If each authoritative electronic copy of the record evidencing chattel paper**  
11 **can be subjected to control under Section 44 of this Act, obtains control of**  
12 **each authoritative electronic copy.**

13 **(7) A buyer of an electronic document takes free of a security interest if, without**  
14 **knowledge of the security interest and before it is perfected, the buyer gives value**  
15 **and, if each authoritative electronic copy of the document can be subjected to**  
16 **control under Section 36 of this Act, obtains control of each authoritative**  
17 **electronic copy.**

18 **(8) A buyer of a controllable electronic record takes free of a security interest if,**  
19 **without knowledge of the security interest and before it is perfected, the buyer**  
20 **gives value and obtains control of the controllable electronic record.**

21 **(9) A buyer, other than a secured party, of a controllable account or a controllable**  
22 **payment intangible takes free of a security interest if, without knowledge of the**  
23 **security interest and before it is perfected, the buyer gives value and obtains**  
24 **control of the controllable account or controllable payment intangible.**

25 ➔Section 66. KRS 355.9-323 is amended to read as follows:

26 (1) Except as otherwise provided in subsection (3) of this section, for purposes of  
27 determining the priority of a perfected security interest under KRS 355.9-322(1)(a),

- 1 perfection of the security interest dates from the time an advance is made to the  
2 extent that the security interest secures an advance that:
- 3 (a) Is made while the security interest is perfected only:
- 4 1. Under KRS 355.9-309 when it attaches; or
- 5 2. Temporarily under KRS 355.9-312(5), (6), or (7); and
- 6 (b) Is not made pursuant to a commitment entered into before or while the  
7 security interest is perfected by a method other than under KRS 355.9-309 or  
8 355.9-312(5), (6), or (7).
- 9 (2) Except as otherwise provided in subsection (3) of this section, a security interest is  
10 subordinate to the rights of a person that becomes a lien creditor to the extent that  
11 the security interest secures an advance made more than forty-five (45) days after  
12 the person becomes a lien creditor unless the advance is made:
- 13 (a) Without knowledge of the lien; or
- 14 (b) Pursuant to a commitment entered into without knowledge of the lien.
- 15 (3) Subsections (1) and (2) of this section do not apply to a security interest held by a  
16 secured party that is a buyer of accounts, chattel paper, payment intangibles, or  
17 promissory notes or a consignor.
- 18 (4) Except as otherwise provided in subsection (5) of this section, a buyer of goods~~]~~  
19 ~~other than a buyer in ordinary course of business]~~ takes free of a security interest to  
20 the extent that it secures advances made after the earlier of:
- 21 (a) The time the secured party acquires knowledge of the buyer's purchase; or
- 22 (b) Forty-five (45) days after the purchase.
- 23 (5) Subsection (4) of this section does not apply if the advance is made pursuant to a  
24 commitment entered into without knowledge of the buyer's purchase and before the  
25 expiration of the forty-five (45) day period.
- 26 (6) Except as otherwise provided in subsection (7) of this section, a lessee of goods~~]~~  
27 ~~other than a lessee in ordinary course of business]~~ takes the leasehold interest free

1 of a security interest to the extent that it secures advances made after the earlier of:

2 (a) The time the secured party acquires knowledge of the lease; or

3 (b) Forty-five (45) days after the lease contract becomes enforceable.

4 (7) Subsection (6) of this section does not apply if the advance is made pursuant to a  
5 commitment entered into without knowledge of the lease and before the expiration  
6 of the forty-five (45) day period.

7 ➔Section 67. KRS 355.9-324 is amended to read as follows:

8 (1) Except as otherwise provided in subsection (7) of this section, a perfected purchase-  
9 money security interest in goods other than inventory or livestock has priority over  
10 a conflicting security interest in the same goods, and, except as otherwise provided  
11 in KRS 355.9-327, a perfected security interest in its identifiable proceeds also has  
12 priority, if the purchase-money security interest is perfected when the debtor  
13 receives possession of the collateral or within twenty (20) days thereafter.

14 (2) Subject to subsection (3) of this section and except as otherwise provided in  
15 subsection (7) of this section, a perfected purchase-money security interest in  
16 inventory has priority over a conflicting security interest in the same inventory, has  
17 priority over a conflicting security interest in chattel paper or an instrument  
18 constituting proceeds of the inventory and in proceeds of the chattel paper, if so  
19 provided in KRS 355.9-330, and, except as otherwise provided in KRS 355.9-327,  
20 also has priority in identifiable cash proceeds of the inventory to the extent the  
21 identifiable cash proceeds are received on or before the delivery of the inventory to  
22 a buyer, if:

23 (a) The purchase-money security interest is perfected when the debtor receives  
24 possession of the inventory;

25 (b) The purchase-money secured party sends a signed~~[an authenticated]~~  
26 notification to the holder of the conflicting security interest;

27 (c) The holder of the conflicting security interest receives the notification within

- 1 five (5) years before the debtor receives possession of the inventory; and
- 2 (d) The notification states that the person sending the notification has or expects
- 3 to acquire a purchase-money security interest in inventory of the debtor and
- 4 describes the inventory.
- 5 (3) Subsection (2)(b) to (d) of this section apply only if the holder of the conflicting
- 6 security interest had filed a financing statement covering the same types of
- 7 inventory:
- 8 (a) If the purchase-money security interest is perfected by filing, before the date
- 9 of the filing; or
- 10 (b) If the purchase-money security interest is temporarily perfected without filing
- 11 or possession under KRS 355.9-312(6), before the beginning of the twenty
- 12 (20) day period thereunder.
- 13 (4) Subject to subsection (5) of this section and except as otherwise provided in
- 14 subsection (7) of this section, a perfected purchase-money security interest in
- 15 livestock that are farm products has priority over a conflicting security interest in
- 16 the same livestock, and, except as otherwise provided in KRS 355.9-327, a
- 17 perfected security interest in their identifiable proceeds and identifiable products in
- 18 their unmanufactured states also has priority, if:
- 19 (a) The purchase-money security interest is perfected when the debtor receives
- 20 possession of the livestock;
- 21 (b) The purchase-money secured party sends a signed~~[an authenticated]~~
- 22 notification to the holder of the conflicting security interest;
- 23 (c) The holder of the conflicting security interest receives the notification within
- 24 six (6) months before the debtor receives possession of the livestock; and
- 25 (d) The notification states that the person sending the notification has or expects
- 26 to acquire a purchase-money security interest in livestock of the debtor and
- 27 describes the livestock.

- 1 (5) Subsection (4)(b) to (d) of this section apply only if the holder of the conflicting  
2 security interest had filed a financing statement covering the same types of  
3 livestock:
- 4 (a) If the purchase-money security interest is perfected by filing, before the date  
5 of the filing; or
- 6 (b) If the purchase-money security interest is temporarily perfected without filing  
7 or possession under KRS 355.9-312(6), before the beginning of the twenty  
8 (20) day period thereunder.
- 9 (6) Except as otherwise provided in subsection (7) of this section, a perfected purchase-  
10 money security interest in software has priority over a conflicting security interest  
11 in the same collateral, and, except as otherwise provided in KRS 355.9-327, a  
12 perfected security interest in its identifiable proceeds also has priority, to the extent  
13 that the purchase-money security interest in the goods in which the software was  
14 acquired for use has priority in the goods and proceeds of the goods under this  
15 section.
- 16 (7) If more than one (1) security interest qualifies for priority in the same collateral  
17 under subsection (1), (2), (4), or (6) of this section:
- 18 (a) A security interest securing an obligation incurred as all or part of the price of  
19 the collateral has priority over a security interest securing an obligation  
20 incurred for value given to enable the debtor to acquire rights in or the use of  
21 collateral; and
- 22 (b) In all other cases, KRS 355.9-322(1) applies to the qualifying security  
23 interests.

24 ➔SECTION 68. A NEW SECTION OF ARTICLE 9 OF KRS CHAPTER 355 IS  
25 CREATED TO READ AS FOLLOWS:

26 *A security interest in a controllable account, controllable electronic record, or*  
27 *controllable payment intangible held by a secured party having control of the account,*

1 **electronic record, or payment intangible has priority over a conflicting security interest**  
 2 **held by a secured party that does not have control.**

3 ➔Section 69. KRS 355.9-330 is amended to read as follows:

- 4 (1) A purchaser of chattel paper has priority over a security interest in the chattel paper  
 5 which is claimed merely as proceeds of inventory subject to a security interest if:  
 6 (a) In good faith and in the ordinary course of the purchaser's business, the  
 7 purchaser gives new value ~~and~~ takes possession of **each authoritative**  
 8 **tangible copy of the record evidencing** the chattel paper, ~~and~~ ~~or~~ obtains  
 9 control **under Section 44 of this Act of each authoritative electronic copy of**  
 10 **the record evidencing** ~~of~~ the chattel paper ~~under KRS 355.9-105~~; and  
 11 (b) The **authoritative copies of the record evidencing the** chattel paper ~~do~~ ~~does~~  
 12 not indicate that **the chattel paper** ~~it~~ has been assigned to an identified  
 13 assignee other than the purchaser.
- 14 (2) A purchaser of chattel paper has priority over a security interest in the chattel paper  
 15 which is claimed other than merely as proceeds of inventory subject to a security  
 16 interest if the purchaser gives new value ~~and~~ takes possession of **each**  
 17 **authoritative tangible copy of the record evidencing** the chattel paper, ~~and~~ ~~or~~  
 18 obtains control **under Section 44 of this Act of each authoritative electronic copy**  
 19 **of the record evidencing** ~~of~~ the chattel paper ~~under KRS 355.9-105~~ in good faith,  
 20 in the ordinary course of the purchaser's business, and without knowledge that the  
 21 purchase violates the rights of the secured party.
- 22 (3) Except as otherwise provided in KRS 355.9-327, a purchaser having priority in  
 23 chattel paper under subsection (1) or (2) of this section also has priority in proceeds  
 24 of the chattel paper to the extent that:  
 25 (a) KRS 355.9-322 provides for priority in the proceeds; or  
 26 (b) The proceeds consist of the specific goods covered by the chattel paper or  
 27 cash proceeds of the specific goods, even if the purchaser's security interest in

1 the proceeds is unperfected.

2 (4) Except as otherwise provided in KRS 355.9-331(1), a purchaser of an instrument  
3 has priority over a security interest in the instrument perfected by a method other  
4 than possession if the purchaser gives value and takes possession of the instrument  
5 in good faith and without knowledge that the purchase violates the rights of the  
6 secured party.

7 (5) For purposes of subsections (1) and (2) of this section, the holder of a purchase-  
8 money security interest in inventory gives new value for chattel paper constituting  
9 proceeds of the inventory.

10 (6) For purposes of subsections (2) and (4) of this section, if **the authoritative copies of**  
11 **the record evidencing** chattel paper or an instrument **indicate**~~[indicates]~~ that **the**  
12 **chattel paper or instrument**~~[it]~~ has been assigned to an identified secured party  
13 other than the purchaser, a purchaser of the chattel paper or instrument has  
14 knowledge that the purchase violates the rights of the secured party.

15 ➔Section 70. KRS 355.9-331 is amended to read as follows:

16 (1) This article does not limit the rights of a holder in due course of a negotiable  
17 instrument, a holder to which a negotiable document of title has been duly  
18 negotiated,~~[or]~~ a protected purchaser of a security, **or a qualifying purchaser of a**  
19 **controllable account, controllable electronic record, or controllable payment**  
20 **intangible**. These holders or purchasers take priority over an earlier security  
21 interest, even if perfected, to the extent provided in Articles 3, 7, **8**, and **12**~~[8]~~ of  
22 this chapter.

23 (2) This article does not limit the rights of or impose liability on a person to the extent  
24 that the person is protected against the assertion of a claim under Article 8 **or 12** of  
25 this chapter.

26 (3) Filing under this article does not constitute notice of a claim or defense to the  
27 holders, or purchasers, or persons described in subsections (1) and (2) of this



1 section.

2 ➔Section 71. KRS 355.9-332 is amended to read as follows:

- 3 (1) A transferee of ***tangible*** money takes the money free of a security interest ***if the***  
4 ***transferee receives possession of the money without acting***~~[unless the transferee~~  
5 ~~acts]~~ in collusion with the debtor in violating the rights of the secured party.
- 6 (2) A transferee of funds from a deposit account takes the funds free of a security  
7 interest in the deposit account ***if the transferee receives the funds without***  
8 ***acting***~~[unless the transferee acts]~~ in collusion with the debtor in violating the rights  
9 of the secured party.
- 10 ***(3) A transferee of electronic money takes the money free of a security interest if the***  
11 ***transferee obtains control of the money without acting in collusion with the***  
12 ***debtor in violating the rights of the secured party.***

13 ➔Section 72. KRS 355.9-334 is amended to read as follows:

- 14 (1) ***(a)*** A security interest under this article may be created in goods that are fixtures  
15 or may continue in goods that become fixtures.
- 16 ***(b)*** A security interest does not exist under this article in ordinary building  
17 materials incorporated into an improvement on land.
- 18 (2) This article does not prevent creation of an encumbrance upon fixtures under real  
19 property law.
- 20 (3) In cases not governed by subsections (4) to (8) of this section, a security interest in  
21 fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the  
22 related real property other than the debtor.
- 23 (4) Except as otherwise provided in subsection (8) of this section, a perfected security  
24 interest in fixtures has priority over a conflicting interest of an encumbrancer or  
25 owner of the real property if the debtor has an interest of record in or is in  
26 possession of the real property and:
- 27 (a) The security interest is a purchase-money security interest;

- 1 (b) The interest of the encumbrancer or owner arises before the goods become  
2 fixtures; and
- 3 (c) The security interest is perfected by a fixture filing before the goods become  
4 fixtures or within twenty (20) days thereafter.
- 5 (5) A perfected security interest in fixtures has priority over a conflicting interest of an  
6 encumbrancer or owner of the real property if:
- 7 (a) The debtor has an interest of record in the real property or is in possession of  
8 the real property and the security interest:
- 9 1. Is perfected by a fixture filing before the interest of the encumbrancer or  
10 owner is of record; and
- 11 2. Has priority over any conflicting interest of a predecessor in title of the  
12 encumbrancer or owner;
- 13 (b) Before the goods become fixtures, the security interest is perfected by any  
14 method permitted by this article and the fixtures are readily removable:
- 15 1. Factory or office machines;
- 16 2. Equipment that is not primarily used or leased for use in the operation of  
17 the real property; or
- 18 3. Replacements of domestic appliances that are consumer goods;
- 19 (c) The conflicting interest is a lien on the real property obtained by legal or  
20 equitable proceedings after the security interest was perfected by any method  
21 permitted by this article; or
- 22 (d) The security interest is:
- 23 1. Created in a manufactured home in a manufactured-home transaction;  
24 and
- 25 2. Perfected pursuant to a statute described in KRS 355.9-311(1)(b).
- 26 (6) A security interest in fixtures, whether or not perfected, has priority over a  
27 conflicting interest of an encumbrancer or owner of the real property if:

1 (a) The encumbrancer or owner has, in a signed~~[an authenticated]~~ record,  
2 consented to the security interest or disclaimed an interest in the goods as  
3 fixtures; or

4 (b) The debtor has a right to remove the goods as against the encumbrancer or  
5 owner.

6 (7) The priority of the security interest under subsection (6)(b) of this section continues  
7 for a reasonable time if the debtor's right to remove the goods as against the  
8 encumbrancer or owner terminates.

9 (8) (a) A mortgage is a construction mortgage to the extent that it secures an  
10 obligation incurred for the construction of an improvement on land, including  
11 the acquisition cost of the land, if a recorded record of the mortgage so  
12 indicates.

13 (b) Except as otherwise provided in subsections (5) and (6) of this section, a  
14 security interest in fixtures is subordinate to a construction mortgage if a  
15 record of the mortgage is recorded before the goods become fixtures and the  
16 goods become fixtures before the completion of the construction. A mortgage  
17 has this priority to the same extent as a construction mortgage to the extent  
18 that it is given to refinance a construction mortgage.

19 (9) A perfected security interest in crops growing on real property has priority over a  
20 conflicting interest of an encumbrancer or owner of the real property if the debtor  
21 has an interest of record in or is in possession of the real property.

22 ➔Section 73. KRS 355.9-341 is amended to read as follows:

23 Except as otherwise provided in KRS 355.9-340(3), and unless the bank otherwise agrees  
24 in a signed~~[an authenticated]~~ record, a bank's rights and duties with respect to a deposit  
25 account maintained with the bank are not terminated, suspended, or modified by:

26 (1) The creation, attachment, or perfection of a security interest in the deposit account;

27 (2) The bank's knowledge of the security interest; or

1 (3) The bank's receipt of instructions from the secured party.

2 ➔Section 74. KRS 355.9-404 is amended to read as follows:

3 (1) Unless an account debtor has made an enforceable agreement not to assert defenses  
4 or claims, and subject to subsections (2) to (5) of this section, the rights of an  
5 assignee are subject to:

6 (a) All terms of the agreement between the account debtor and assignor and any  
7 defense or claim in recoupment arising from the transaction that gave rise to  
8 the contract; and

9 (b) Any other defense or claim of the account debtor against the assignor which  
10 accrues before the account debtor receives a notification of the assignment  
11 ~~signed~~authenticated by the assignor or the assignee.

12 (2) Subject to subsection (3) of this section and except as otherwise provided in  
13 subsection (4) of this section, the claim of an account debtor against an assignor  
14 may be asserted against an assignee under subsection (1) of this section only to  
15 reduce the amount the account debtor owes.

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

19 (4) In a consumer transaction, if a record evidences the account debtor's obligation, law  
20 other than this article requires that the record include a statement to the effect that  
21 the account debtor's recovery against an assignee with respect to claims and  
22 defenses against the assignor may not exceed amounts paid by the account debtor  
23 under the record, and the record does not include such a statement, the extent to  
24 which a claim of an account debtor against the assignor may be asserted against an  
25 assignee is determined as if the record included such a statement.

26 (5) This section does not apply to an assignment of a health-care-insurance receivable.

27 ➔Section 75. KRS 355.9-406 is amended to read as follows:

- 1 (1) Subject to subsections (2) to (9) **and (12)** of this section, an account debtor on an  
2 account, chattel paper, or a payment intangible may discharge its obligation by  
3 paying the assignor until, but not after, the account debtor receives a notification,  
4 **signed**~~authenticated~~ by the assignor or the assignee, that the amount due or to  
5 become due has been assigned and that payment is to be made to the assignee. After  
6 receipt of the notification, the account debtor may discharge its obligation by  
7 paying the assignee and may not discharge the obligation by paying the assignor.
- 8 (2) Subject to **subsections**~~subsection~~ (8) **and (12)** of this section, notification is  
9 ineffective under subsection (1) of this section:
- 10 (a) If it does not reasonably identify the rights assigned;
- 11 (b) To the extent that an agreement between an account debtor and a seller of a  
12 payment intangible limits the account debtor's duty to pay a person other than  
13 the seller and the limitation is effective under law other than this article; or
- 14 (c) At the option of an account debtor, if the notification notifies the account  
15 debtor to make less than the full amount of any installment or other periodic  
16 payment to the assignee, even if:
- 17 1. Only a portion of the account, chattel paper, or payment intangible has  
18 been assigned to that assignee;
- 19 2. A portion has been assigned to another assignee; or
- 20 3. The account debtor knows that the assignment to that assignee is  
21 limited.
- 22 (3) Subject to **subsections**~~subsection~~ (8) **and (12)** of this section, if requested by the  
23 account debtor, an assignee shall seasonably furnish reasonable proof that the  
24 assignment has been made. Unless the assignee complies, the account debtor may  
25 discharge its obligation by paying the assignor, even if the account debtor has  
26 received a notification under subsection (1) of this section.
- 27 (4) **(a) In this subsection, "promissory note" includes a negotiable instrument that**

1           *evidences chattel paper.*

2           **(b)** Except as otherwise provided in subsection (5) *and (11)* of this section and  
3           KRS 355.2A-303 and 355.9-407, and subject to subsection (8) of this section,  
4           a term in an agreement between an account debtor and an assignor or in a  
5           promissory note is ineffective to the extent that it:

6           ~~1.(a)~~ Prohibits, restricts, or requires the consent of the account debtor or  
7           person obligated on the promissory note to the assignment or transfer of,  
8           or the creation, attachment, perfection, or enforcement of a security  
9           interest in, the account, chattel paper, payment intangible, or promissory  
10          note; or

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

16       (5) Subsection (4) of this section does not apply to the sale of a payment intangible or  
17       promissory note, other than a sale pursuant to a disposition under KRS 355.9-610 or  
18       an acceptance of collateral under KRS 355.9-620.

19       (6) Except as otherwise provided in *subsection (11) of this section and* KRS 355.2A-  
20       303 and 355.9-407 and subject to subsections (8) and (9) of this section, a rule of  
21       law, statute, or regulation that prohibits, restricts, or requires the consent of a  
22       government, governmental body or official, or account debtor to the assignment or  
23       transfer of, or creation of a security interest in, an account or chattel paper is  
24       ineffective to the extent that the rule of law, statute, or regulation:

25       (a) Prohibits, restricts, or requires the consent of the government, governmental  
26       body or official, or account debtor to the assignment or transfer of, or the  
27       creation, attachment, perfection, or enforcement of a security interest in the

1 account or chattel paper; or

2 (b) Provides that the assignment or transfer or the creation, attachment,  
3 perfection, or enforcement of the security interest may give rise to a default,  
4 breach, right of recoupment, claim, defense, termination, right of termination,  
5 or remedy under the account or chattel paper.

6 (7) Subject to subsections~~[subsection]~~ (8) and (12) of this section, an account debtor  
7 may not waive or vary its option under subsection (2)(c) of this section.

8 (8) This section is subject to law other than this article which establishes a different  
9 rule for an account debtor who is an individual and who incurred the obligation  
10 primarily for personal, family, or household purposes.

11 (9) This section does not apply to an assignment of a health-care-insurance receivable.

12 (10) Reserved.

13 (11) Subsections (4) and (6) of this section do not apply to a security interest in an  
14 ownership interest in a general partnership, limited partnership, or limited  
15 liability company.

16 (12) Subsections (1) to (3) and (7) of this section do not apply to a controllable  
17 account or controllable payment intangible.

18 ➔Section 76. KRS 355.9-408 is amended to read as follows:

19 (1) Except as otherwise provided in subsections~~[subsection]~~ (2) and (6) of this section,  
20 a term in a promissory note or in an agreement between an account debtor and a  
21 debtor which relates to a health-care-insurance receivable or a general intangible,  
22 including a contract, permit, license, or franchise, and which term prohibits,  
23 restricts, or requires the consent of the person obligated on the promissory note or  
24 the account debtor to, the assignment or transfer of, or creation, attachment, or  
25 perfection of a security interest in, the promissory note, health-care-insurance  
26 receivable, or general intangible, is ineffective to the extent that the term:

27 (a) Would impair the creation, attachment, or perfection of a security interest; or

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

6 (2) Subsection (1) of this section applies to a security interest in a payment intangible  
7 or promissory note only if the security interest arises out of a sale of the payment  
8 intangible or promissory note, other than a sale pursuant to a disposition under KRS  
9 355.9-610 or an acceptance of collateral under KRS 355.9-620.

10 (3) (a) Except as otherwise provided in paragraph (b) of this subsection and  
11 subsection (6) of this section, a rule of law, statute, or regulation that  
12 prohibits, restricts, or requires the consent of a government, governmental  
13 body or official, person obligated on a promissory note, or account debtor to  
14 the assignment or transfer of, or creation of a security interest in, a promissory  
15 note, health-care-insurance receivable, or general intangible, including a  
16 contract, permit, license, or franchise between an account debtor and a debtor,  
17 is ineffective to the extent that the rule of law, statute, or regulation:

18 1.(a) Would impair the creation, attachment, or perfection of a security  
19 interest; or

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

25 (b) Paragraph (a) of this subsection does not apply to the following statutes,  
26 including administrative regulations promulgated under the authority of  
27 those statutes: KRS 304.2-260, KRS 304.24-420, Subtitle 33 of KRS Chapter



1                   **304, and Subtitle 37 of KRS Chapter 304.**

- 2       (4) To the extent that a term in a promissory note or in an agreement between an  
3       account debtor and a debtor which relates to a health-care-insurance receivable or  
4       general intangible or a rule of law, statute, or regulation described in subsection (3)  
5       of this section would be effective under law other than this article but is ineffective  
6       under subsection (1) or (3) of this section, the creation, attachment, or perfection of  
7       a security interest in the promissory note, health-care-insurance receivable, or  
8       general intangible:
- 9       (a) Is not enforceable against the person obligated on the promissory note or the  
10       account debtor;
- 11       (b) Does not impose a duty or obligation on the person obligated on the  
12       promissory note or the account debtor;
- 13       (c) Does not require the person obligated on the promissory note or the account  
14       debtor to recognize the security interest, pay or render performance to the  
15       secured party, or accept payment or performance from the secured party;
- 16       (d) Does not entitle the secured party to use or assign the debtor's rights under the  
17       promissory note, health-care-insurance receivable, or general intangible,  
18       including any related information or materials furnished to the debtor in the  
19       transaction giving rise to the promissory note, health-care-insurance  
20       receivable, or general intangible;
- 21       (e) Does not entitle the secured party to use, assign, possess, or have access to  
22       any trade secrets or confidential information of the person obligated on the  
23       promissory note or the account debtor; and
- 24       (f) Does not entitle the secured party to enforce the security interest in the  
25       promissory note, health-care-insurance receivable, or general intangible.
- 26       (5) This section prevails over any inconsistent provisions of the following statutes and  
27       any administrative regulations based on those statutes: KRS 56.230~~(2)~~(3),

1 138.320~~(5)~~~~[(3)]~~, 138.665~~(5)~~~~[(4)]~~, 138.720(5), 139.250, 154A.400(3), 190.047(1),  
 2 190.070(2)(c), 217B.535(2),~~228.070(2)~~, 230.300(11), 234.330~~(6)~~~~[(10)]~~,  
 3 243.630(2), 260.815, 286.4-460(2), 292.320~~(3)~~~~[(2)]~~(b), 286.8-036(3), 304.3-  
 4 410(2)(f), 304.3-520(5), 333.080, 350.135(1), 365.430~~(1)~~~~[(27)]~~, and 286.9-  
 5 070~~(6)~~~~[(2)]~~.

6 (6) **This section does not apply to a security interest in an ownership interest in a**  
 7 **general partnership, limited partnership, or limited liability company**~~[(Subsection~~  
 8 ~~(3) of this section does not apply to the following statutes and to administrative~~  
 9 ~~regulations promulgated under the authority of those statutes: KRS 304.2-260, KRS~~  
 10 ~~304.24-420, Subtitle 33 of KRS Chapter 304, and Subtitle 37 of KRS Chapter 304].~~

11 (7) **In this section, "promissory note" includes a negotiable instrument that**  
 12 **evidences chattel paper.**

13 ➔Section 77. KRS 355.9-509 is amended to read as follows:

14 (1) A person may file an initial financing statement, amendment that adds collateral  
 15 covered by a financing statement, or amendment that adds a debtor to a financing  
 16 statement only if:

17 (a) The debtor authorizes the filing in **a signed**~~[an authenticated]~~ record or  
 18 pursuant to subsection ~~[(1) or ]~~(2) **or (3)** of this section; or

19 (b) The person holds an agricultural lien that has become effective at the time of  
 20 filing and the financing statement covers only collateral in which the person  
 21 holds an agricultural lien.

22 (2) By **signing**~~[authenticating]~~ or becoming bound as debtor by a security agreement, a  
 23 debtor or new debtor authorizes the filing of an initial financing statement, and an  
 24 amendment, covering:

25 (a) The collateral described in the security agreement; and

26 (b) Property that becomes collateral under KRS 355.9-315(1)(b), whether or not  
 27 the security agreement expressly covers proceeds.

- 1 (3) By acquiring collateral in which a security interest or agricultural lien continues  
2 under KRS 355.9-315(1)(a), a debtor authorizes the filing of an initial financing  
3 statement, and an amendment, covering the collateral and property that becomes  
4 collateral under KRS 355.9-315(1)(b).
- 5 (4) A person may file an amendment other than an amendment that adds collateral  
6 covered by a financing statement or an amendment that adds a debtor to a financing  
7 statement only if:
- 8 (a) The secured party of record authorizes the filing; or  
9 (b) The amendment is a termination statement for a financing statement as to  
10 which the secured party of record has failed to file or send a termination  
11 statement as required by KRS 355.9-513(1) or (3), the debtor authorizes the  
12 filing, and the termination statement indicates that the debtor authorized it to  
13 be filed.
- 14 (5) If there is more than one (1) secured party of record for a financing statement, each  
15 secured party of record may authorize the filing of an amendment under subsection  
16 (4) of this section.
- 17 ➔Section 78. KRS 355.9-513 is amended to read as follows:
- 18 (1) A secured party shall cause the secured party of record for a financing statement to  
19 file a termination statement for the financing statement if the financing statement  
20 covers consumer goods and:
- 21 (a) There is no obligation secured by the collateral covered by the financing  
22 statement and no commitment to make an advance, incur an obligation, or  
23 otherwise give value; or  
24 (b) The debtor did not authorize the filing of the initial financing statement.
- 25 (2) To comply with subsection (1) of this section, a secured party shall cause the  
26 secured party of record to file the termination statement:
- 27 (a) Within one (1) month after there is no obligation secured by the collateral

- 1 covered by the financing statement and no commitment to make an advance,  
2 incur an obligation, or otherwise give value; or
- 3 (b) If earlier, within twenty (20) days after the secured party receives a signed~~an~~  
4 ~~authenticated~~ demand from a debtor.
- 5 (3) In cases not governed by subsection (1) of this section, within twenty (20) days  
6 after a secured party receives a signed~~an authenticated~~ demand from a debtor, the  
7 secured party shall cause the secured party of record for a financing statement to  
8 send to the debtor a termination statement for the financing statement or file the  
9 termination statement in the filing office if:
- 10 (a) Except in the case of a financing statement covering accounts or chattel paper  
11 that has been sold or goods that are the subject of a consignment, there is no  
12 obligation secured by the collateral covered by the financing statement and no  
13 commitment to make an advance, incur an obligation, or otherwise give value;
- 14 (b) The financing statement covers accounts or chattel paper that has been sold  
15 but as to which the account debtor or other person obligated has discharged its  
16 obligation;
- 17 (c) The financing statement covers goods that were the subject of a consignment  
18 to the debtor but are not in the debtor's possession; or
- 19 (d) The debtor did not authorize the filing of the initial financing statement.
- 20 (4) (a) Except as otherwise provided in KRS 355.9-510, upon the filing of a  
21 termination statement with the filing office, the financing statement to which  
22 the termination statement relates ceases to be effective.
- 23 (b) Except as otherwise provided in KRS 355.9-510, for purposes of KRS 355.9-  
24 519(7), 355.9-522(1), and 355.9-523(3), the filing with the filing office of a  
25 termination statement relating to a financing statement that indicates that the  
26 debtor is a transmitting utility also causes the effectiveness of the financing  
27 statement to lapse.

1           ➔Section 79. KRS 355.9-601 is amended to read as follows:

- 2       (1) After default, a secured party has the rights provided in this part of this article and,  
3       except as otherwise provided in KRS 355.9-602, those provided by agreement of  
4       the parties. A secured party:
- 5           (a) May reduce a claim to judgment, foreclose, or otherwise enforce the claim,  
6           security interest, or agricultural lien by any available judicial procedure; and  
7           (b) If the collateral is documents, may proceed either as to the documents or as to  
8           the goods they cover.
- 9       (2) A secured party in possession of collateral or control of collateral under KRS 355.7-  
10       106, 355.9-104, 355.9-105, **Section 45 of this Act**, 355.9-106,~~or~~ 355.9-107, **or**  
11       **Section 46 of this Act** has the rights and duties provided in KRS 355.9-207.
- 12       (3) The rights under subsections (1) and (2) of this section are cumulative and may be  
13       exercised simultaneously.
- 14       (4) Except as otherwise provided in subsection (7) of this section and KRS 355.9-605,  
15       after default, a debtor and an obligor have the rights provided in this part of this  
16       article and by agreement of the parties.
- 17       (5) If a secured party has reduced its claim to judgment, the lien of any levy that may  
18       be made upon the collateral by virtue of an execution based upon the judgment  
19       relates back to the earliest of:
- 20           (a) The date of perfection of the security interest or agricultural lien in the  
21           collateral;
- 22           (b) The date of filing a financing statement covering the collateral; or  
23           (c) Any date specified in a statute under which the agricultural lien was created.
- 24       (6) A sale pursuant to an execution is a foreclosure of the security interest or  
25       agricultural lien by judicial procedure within the meaning of this section. A secured  
26       party may purchase at the sale and thereafter hold the collateral free of any other  
27       requirements of this article.

1 (7) Except as otherwise provided in KRS 355.9-607(3), this part of this article imposes  
 2 no duties upon a secured party that is a consignor or is a buyer of accounts, chattel  
 3 paper, payment intangibles, or promissory notes.

4 ➔Section 80. KRS 355.9-605 is amended to read as follows:

5 **(1) Except as provided in subsection (2) of this section,** a secured party does not owe a  
 6 duty based on its status as secured party:

7 **(a)**~~(1)~~ To a person that is a debtor or obligor, unless the secured party knows:

8 **1.**~~(a)~~ That the person is a debtor or obligor;

9 **2.**~~(b)~~ The identity of the person; and

10 **3.**~~(c)~~ How to communicate with the person; or

11 **(b)**~~(2)~~ To a secured party or lienholder that has filed a financing statement  
 12 against a person, unless the secured party knows:

13 **1.**~~(a)~~ That the person is a debtor; and

14 **2.**~~(b)~~ The identity of the person.

15 **(2) A secured party owes a duty based on its status as a secured party to a person if,**  
 16 **at the time the secured party obtains control of collateral that is a controllable**  
 17 **account, controllable electronic record, or controllable payment intangible or at**  
 18 **the time the security interest attaches to the collateral, whichever is later:**

19 **(a) The person is a debtor or obligor; and**

20 **(b) The secured party knows that the information in subsection (1)(a)1., 2., or**  
 21 **3. of this section relating to the person is not provided by the collateral, a**  
 22 **record attached to or logically associated with the collateral, or the system**  
 23 **in which the collateral is recorded.**

24 ➔Section 81. KRS 355.9-608 is amended to read as follows:

25 (1) If a security interest or agricultural lien secures payment or performance of an  
 26 obligation, the following rules apply:

27 (a) A secured party shall apply or pay over for application the cash proceeds of

1 collection or enforcement under KRS 355.9-607 in the following order to:

- 2 1. The reasonable expenses of collection and enforcement and, to the
- 3 extent provided for by agreement and not prohibited by law, reasonable
- 4 attorney's fees and legal expenses incurred by the secured party;
- 5 2. The satisfaction of obligations secured by the security interest or
- 6 agricultural lien under which the collection or enforcement is made; and
- 7 3. The satisfaction of obligations secured by any subordinate security
- 8 interest in or other lien on the collateral subject to the security interest or
- 9 agricultural lien under which the collection or enforcement is made if
- 10 the secured party receives a signed~~[an authenticated]~~ demand for
- 11 proceeds before distribution of the proceeds is completed;~~[.]~~

12 (b) If requested by a secured party, a holder of a subordinate security interest or

13 other lien shall furnish reasonable proof of the interest or lien within a

14 reasonable time. Unless the holder complies, the secured party need not

15 comply with the holder's demand under paragraph (a)3. of this subsection;~~[.]~~

16 (c) A secured party need not apply or pay over for application noncash proceeds

17 of collection and enforcement under KRS 355.9-607 unless the failure to do

18 so would be commercially unreasonable. A secured party that applies or pays

19 over for application noncash proceeds shall do so in a commercially

20 reasonable manner; and~~[.]~~

21 (d) A secured party shall account to and pay a debtor for any surplus, and the

22 obligor is liable for any deficiency.

23 (2) If the underlying transaction is a sale of accounts, chattel paper, payment

24 intangibles, or promissory notes, the debtor is not entitled to any surplus, and the

25 obligor is not liable for any deficiency.

26 ➔Section 82. KRS 355.9-611 is amended to read as follows:

27 (1) In this section, "notification date" means the earlier of the date on which:

- 1 (a) A secured party sends to the debtor and any secondary obligor a signed~~an~~  
2 ~~authenticated~~ notification of disposition; or
- 3 (b) The debtor and any secondary obligor waive the right to notification.
- 4 (2) Except as otherwise provided in subsection (4) of this section, a secured party that  
5 disposes of collateral under KRS 355.9-610 shall send to the persons specified in  
6 subsection (3) of this section a reasonable signed~~authenticated~~ notification of  
7 disposition.
- 8 (3) To comply with subsection (2) of this section, the secured party shall send a  
9 ~~authenticated~~ notification of disposition to:
- 10 (a) The debtor;
- 11 (b) Any secondary obligor; and
- 12 (c) If the collateral is other than consumer goods:
- 13 1. Any other person from which the secured party has received, before the  
14 notification date, a signed~~an authenticated~~ notification of a claim of an  
15 interest in the collateral;
- 16 2. Any other secured party or lienholder that, ten (10) days before the  
17 notification date, held a security interest in or other lien on the collateral  
18 perfected by the filing of a financing statement that:
- 19 a. Identified the collateral;
- 20 b. Was indexed under the debtor's name as of that date; and
- 21 c. Was filed in the office in which to file a financing statement  
22 against the debtor covering the collateral as of that date; and
- 23 3. Any other secured party that, ten (10) days before the notification date,  
24 held a security interest in the collateral perfected by compliance with a  
25 statute, regulation, or treaty described in KRS 355.9-311(1).
- 26 (4) Subsection (2) of this section does not apply if the collateral is perishable or  
27 threatens to decline speedily in value or is of a type customarily sold on a



1 recognized market.

2 (5) A secured party complies with the requirement for notification prescribed by  
3 subsection (3)(c)2. of this section if:

4 (a) Not later than twenty (20) days or earlier than thirty (30) days before the  
5 notification date, the secured party requests, in a commercially reasonable  
6 manner, information concerning financing statements indexed under the  
7 debtor's name in the office indicated in subsection (3)(c)2. of this section; and

8 (b) Before the notification date, the secured party:

9 1. Did not receive a response to the request for information; or

10 2. Received a response to the request for information and sent a signed~~an~~  
11 ~~authenticated~~ notification of disposition to each secured party or other  
12 lienholder named in that response whose financing statement covered  
13 the collateral.

14 ➔Section 83. KRS 355.9-613 is amended to read as follows:

15 (1) Except in a consumer-goods transaction, the following rules apply:

16 (a)~~(1)~~ The contents of a notification of disposition are sufficient if the  
17 notification:

18 1.~~(a)~~ Describes the debtor and the secured party;

19 2.~~(b)~~ Describes the collateral that is the subject of the intended  
20 disposition;

21 3.~~(c)~~ States the method of intended disposition;

22 4.~~(d)~~ States that the debtor is entitled to an accounting of the unpaid  
23 indebtedness and states the charge, if any, for an accounting; and

24 5.~~(e)~~ States the time and place of a public disposition or the time after  
25 which any other disposition is to be made;~~;~~

26 (b)~~(2)~~ Whether the contents of a notification that lacks any of the information  
27 specified in paragraph (a)~~subsection (1)~~ of this subsection~~section~~ are

1 nevertheless sufficient is a question of fact;[-]

2 ~~(c)(3)~~ The contents of a notification providing substantially the information  
3 specified in paragraph (a)~~[subsection (1)]~~ of this subsection~~[section]~~ are  
4 sufficient, even if the notification includes:

5 1.(a) Information not specified by that paragraph~~[subsection]~~; or

6 2.(b) Minor errors that are not seriously misleading;[-]

7 ~~(d)(4)~~ A particular phrasing of the notification is not required; and[-]

8 ~~(e)(5)~~ The following form of notification and the form appearing in KRS  
9 355.9-614~~(1)(c)(3)~~, when completed in accordance with the instructions in  
10 subsection (2) of this section and subsection (2) of Section 84 of this Act,  
11 each provides sufficient information:

12 "NOTIFICATION OF DISPOSITION OF COLLATERAL

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

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

15 {1} Name of any debtor that is not an addressee: (Name of each debtor)

16 {2} We will sell (describe collateral) (to the highest qualified bidder) at public  
17 sale. A sale could include a lease or license. The sale will be held as follows:

18 (Date)

19 (Time)

20 (Place)

21 {3} We will sell (describe collateral) at private sale sometime after (date). A sale  
22 could include a lease or license.

23 {4} You are entitled to an accounting of the unpaid indebtedness secured by the  
24 property that we intend to sell, or as applicable, lease or license.

25 {5} If you request an accounting, you must pay a charge of \$ (amount).

26 {6} You may request an accounting by calling us at (telephone number).

27 [End of Form]"

1                   ~~["NOTIFICATION OF DISPOSITION OF COLLATERAL~~  
2    To: .....<Name of debtor, obligor, or other person to which the notification is sent>  
3    From: .....<Name, address, and telephone number of secured party>  
4    Name of Debtor(s): .....<Include only if debtor(s) are not an addressee>  
5    <For a public disposition:>  
6    — We will sell <or lease or license, as applicable> the .....<describe collateral> <to the  
7    highest qualified bidder> in public as follows:  
8    Day and Date: .....  
9    Time: .....  
10   Place: .....  
11   <For a private disposition:>  
12   — We will sell <or lease or license, as applicable> the .....<describe collateral>  
13   privately sometime after <day and date>.  
14   — You are entitled to an accounting of the unpaid indebtedness secured by the  
15   property that we intend to sell <or lease or license, as applicable> <for a charge of \$.....>.  
16   You may request an accounting by calling us at .....<telephone number>".]

17   **(2) The following instructions apply to the form of notification in subsection (1)(e) of**  
18   **this section:**

19   **(a) The instructions in this subsection refer to the numbers in braces before**  
20   **items in the form of notification in subsection (1)(e) of this section. Do not**  
21   **include the numbers or braces in the notification. The numbers and braces**  
22   **are used only for the purpose of these instructions;**

23   **(b) Include and complete item {1} only if there is a debtor that is not an**  
24   **addressee of the notification and list the name or names;**

25   **(c) Include and complete either item {2}, if the notification relates to a public**  
26   **disposition of the collateral, or item {3}, if the notification relates to a**  
27   **private disposition of the collateral. If item {2} is included, include the**

1 words "to the highest qualified bidder" only if applicable;

2 (d) Include and complete items {4} and {6}; and

3 (e) Include and complete item {5} only if the sender will charge the recipient  
4 for an accounting.

5 ➔Section 84. KRS 355.9-614 is amended to read as follows:

6 (1) In a consumer-goods transaction, the following rules apply:

7 (a)~~{(1)}~~ A notification of disposition must provide the following information:

8 1.~~{(a)}~~ The information specified in KRS 355.9-613(1)(a);

9 2.~~{(b)}~~ A description of any liability for a deficiency of the person to  
10 which the notification is sent;

11 3.~~{(c)}~~ A telephone number from which the amount that must be paid to  
12 the secured party to redeem the collateral under KRS 355.9-623 is  
13 available; and

14 4.~~{(d)}~~ A telephone number or mailing address from which additional  
15 information concerning the disposition and the obligation secured is  
16 available;~~{-}~~

17 (b)~~{(2)}~~ A particular phrasing of the notification is not required;~~{-}~~

18 (c)~~{(3)}~~ The following form of notification, when completed in accordance with  
19 the instructions in subsection (2) of this section, provides sufficient  
20 information:

21 "(Name and address of secured party)

22 (Date)

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

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

25 Subject: (Identify transaction)

26 We have your (describe collateral) because you broke promises in our  
27 agreement.

1 *{1} We will sell (describe collateral) at public sale. A sale could include a*  
2 *lease or license. The sale will be held as follows:*

3 *(Date)*

4 *(Time)*

5 *(Place)*

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

7 *{2} We will sell (describe collateral) at private sale sometime after (date). A*  
8 *sale could include a lease or license.*

9 *{3} The money that we get from the sale, after paying our costs, will reduce*  
10 *the amount you owe. If we get less money than you owe, you (will or will not, as*  
11 *applicable) still owe us the difference. If we get more money than you owe, you will get*  
12 *the extra money, unless we must pay it to someone else.*

13 *{4} You can get your property back at any time before we sell it by paying us*  
14 *the full amount you owe, not just the past due payments, including our expenses. To*  
15 *learn the exact amount you must pay, call us at (telephone number).*

16 *{5} If you want us to explain to you in (writing) (writing or in (description of*  
17 *electronic record)) (description of electronic record) how we have figured the amount*  
18 *you owe us, {6} call us at (telephone number) (or) (write us at (secured party's*  
19 *address)) (or contact us by (description of electronic communication method)) {7} and*  
20 *request (a written explanation) (a written explanation or an explanation in (description*  
21 *of electronic record)) (an explanation in (description of electronic record)).*

22 *{8} We will charge you \$ (amount) for the explanation if we sent you*  
23 *another written explanation of the amount you owe us within the last six (6) months.*

24 *{9} If you need more information about the sale, (call us at (telephone*  
25 *number)) (or) (write us at (secured party's address)) (or contact us by (description of*  
26 *electronic communication method)).*

27 *{10} We are sending this notice to the following other people who have an*

1 interest in (describe collateral) or who owe money under your agreement:

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

3 [End of Form]''

4 [~~"<Name and address of secured party>~~

5 ~~<Date>~~

6 NOTICE OF OUR PLAN TO SELL PROPERTY

7 ~~<Name and address of any obligor who is also a debtor>~~

8 Subject: ~~\_\_\_\_\_<Identification of Transaction>~~

9 ~~\_\_\_\_\_ We have your .....<describe collateral>, because you broke promises in our~~  
10 ~~agreement.~~

11 ~~<For a public disposition:>~~

12 ~~\_\_\_\_\_ We will sell .....<describe collateral> at public sale. A sale could include a lease or~~  
13 ~~license. The sale will be held as follows:~~

14 Date: ~~\_\_\_\_\_~~

15 Time: ~~\_\_\_\_\_~~

16 Place: ~~\_\_\_\_\_~~

17 ~~\_\_\_\_\_ You may attend the sale and bring bidders if you want.~~

18 ~~<For a private disposition:>~~

19 ~~\_\_\_\_\_ We will sell .....<describe collateral> at private sale sometime after .....<date>. A~~  
20 ~~sale could include a lease or license.~~

21 ~~\_\_\_\_\_ The money that we get from the sale (after paying our costs) will reduce the amount~~  
22 ~~you owe. If we get less money than you owe, you .....<will or will not, as applicable> still~~  
23 ~~owe us the difference. If we get more money than you owe, you will get the extra money,~~  
24 ~~unless we must pay it to someone else.~~

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

1 — If you want us to explain to you in writing how we have figured the amount that  
 2 you owe us, you may call us at .....<telephone number> <or write us at .....<secured  
 3 party's address>> and request a written explanation. <We will charge you \$..... for the  
 4 explanation if we sent you another written explanation of the amount you owe us within  
 5 the last six (6) months.>

6 — If you need more information about the sale call us at .....<telephone number> <or  
 7 write us at .....<secured party's address>>.

8 — We are sending this notice to the following other people who have an interest in  
 9 .....<describe collateral> or who owe money under your agreement:

10 .....<Names of all other debtors and obligors, if any>"]

11 ~~(d)~~<sup>(4)</sup> A notification in the form of paragraph (c)~~[subsection (3)]~~ of this  
 12 subsection~~[section]~~ is sufficient, even if additional information appears at the  
 13 end of the form;[-]

14 ~~(e)~~<sup>(5)</sup> A notification in the form of paragraph (c)~~[subsection (3)]~~ of this  
 15 subsection~~[section]~~ is sufficient, even if it includes errors in information not  
 16 required by paragraph (a)~~[subsection (1)]~~ of this subsection~~[section]~~, unless  
 17 the error is misleading with respect to rights arising under this article; and[-]

18 ~~(f)~~<sup>(6)</sup> If a notification under this section is not in the form of paragraph  
 19 (c)~~[subsection (3)]~~ of this subsection~~[section]~~, law other than this article  
 20 determines the effect of including information not required by paragraph  
 21 (a)~~[subsection (1)]~~ of this subsection~~[section]~~.

22 **(2) The following instructions apply to the form of notification in subsection (1)(c) of**  
 23 **this section:**

24 **(a) The instructions in this subsection refer to the numbers in braces before**  
 25 **items in the form of notification in subsection (1)(c) of this section. Do not**  
 26 **include the numbers or braces in the notification. The numbers and braces**  
 27 **are used only for the purpose of these instructions;**

1 (b) Include and complete either item {1}, if the notification relates to a public  
 2 disposition of the collateral, or item {2}, if the notification relates to a  
 3 private disposition of the collateral;

4 (c) Include and complete items {3}, {4}, {5}, {6}, and {7};

5 (d) In item {5}, include and complete any one (1) of the three (3) alternative  
 6 methods for the explanation - writing, writing or electronic record, or  
 7 electronic record;

8 (e) In item {6}, include the telephone number. In addition, the sender may  
 9 include and complete either or both of the two (2) additional alternative  
 10 methods of communication - writing or electronic communication - for the  
 11 recipient of the notification to communicate with the sender. Neither of the  
 12 two (2) additional methods of communication is required to be included;

13 (f) In item {7}, include and complete the method or methods for the  
 14 explanation - writing, writing or electronic record, or electronic record -  
 15 included in item {5};

16 (g) Include and complete item {8} only if a written explanation is included in  
 17 item {5} as a method for communicating the explanation and the sender will  
 18 charge the recipient for another written explanation;

19 (h) In item {9}, include either the telephone number or the address or both the  
 20 telephone number and the address. In addition, the sender may include and  
 21 complete the additional method of communication - electronic  
 22 communication - for the recipient of the notification to communicate with  
 23 the sender. The additional method of electronic communication is not  
 24 required to be included; and

25 (i) If item {10} does not apply, insert "None" after "agreement".

26 ➔ Section 85. KRS 355.9-615 is amended to read as follows:

27 (1) A secured party shall apply or pay over for application the cash proceeds of



1 disposition under KRS 355.9-610 in the following order to:

2 (a) The reasonable expenses of retaking, holding, preparing for disposition,  
3 processing, and disposing, and, to the extent provided for by agreement and  
4 not prohibited by law, reasonable attorney's fees and legal expenses incurred  
5 by the secured party;

6 (b) The satisfaction of obligations secured by the security interest or agricultural  
7 lien under which the disposition is made;

8 (c) The satisfaction of obligations secured by any subordinate security interest in  
9 or other subordinate lien on the collateral if:

10 1. The secured party receives from the holder of the subordinate security  
11 interest or other lien a signed~~[an authenticated]~~ demand for proceeds  
12 before distribution of the proceeds is completed; and

13 2. In a case in which a consignor has an interest in the collateral, the  
14 subordinate security interest or other lien is senior to the interest of the  
15 consignor; and

16 (d) A secured party that is a consignor of the collateral if the secured party  
17 receives from the consignor a signed~~[an authenticated]~~ demand for proceeds  
18 before distribution of the proceeds is completed.

19 (2) If requested by a secured party, a holder of a subordinate security interest or other  
20 lien shall furnish reasonable proof of the interest or lien within a reasonable time.  
21 Unless the holder does so, the secured party need not comply with the holder's  
22 demand under subsection (1)(c) of this section.

23 (3) (a) A secured party need not apply or pay over for application noncash proceeds  
24 of disposition under KRS 355.9-610 unless the failure to do so would be  
25 commercially unreasonable.

26 (b) A secured party that applies or pays over for application noncash proceeds  
27 shall do so in a commercially reasonable manner.

- 1 (4) If the security interest under which a disposition is made secures payment or  
2 performance of an obligation, after making the payments and applications required  
3 by subsection (1) of this section and permitted by subsection (3) of this section:
- 4 (a) Unless subsection (1)(d) of this section requires the secured party to apply or  
5 pay over cash proceeds to a consignor, the secured party shall account to and  
6 pay a debtor for any surplus; and
- 7 (b) The obligor is liable for any deficiency.
- 8 (5) If the underlying transaction is a sale of accounts, chattel paper, payment  
9 intangibles, or promissory notes:
- 10 (a) The debtor is not entitled to any surplus; and
- 11 (b) The obligor is not liable for any deficiency.
- 12 (6) The surplus or deficiency following a disposition is calculated based on the amount  
13 of proceeds that would have been realized in a disposition complying with this part  
14 of this article to a transferee other than the secured party, a person related to the  
15 secured party, or a secondary obligor if:
- 16 (a) The transferee in the disposition is the secured party, a person related to the  
17 secured party, or a secondary obligor; and
- 18 (b) The amount of proceeds of the disposition is significantly below the range of  
19 proceeds that a complying disposition to a person other than the secured party,  
20 a person related to the secured party, or a secondary obligor would have  
21 brought.
- 22 (7) A secured party that receives cash proceeds of a disposition in good faith and  
23 without knowledge that the receipt violates the rights of the holder of a security  
24 interest or other lien that is not subordinate to the security interest or agricultural  
25 lien under which the disposition is made:
- 26 (a) Takes the cash proceeds free of the security interest or other lien;
- 27 (b) Is not obligated to apply the proceeds of the disposition to the satisfaction of

- 1 obligations secured by the security interest or other lien; and
- 2 (c) Is not obligated to account to or pay the holder of the security interest or other
- 3 lien for any surplus.

4 ➔Section 86. KRS 355.9-616 is amended to read as follows:

5 (1) In this section:

6 (a) "Explanation" means a record~~[writing]~~ that:

- 7 1. States the amount of the surplus or deficiency;
- 8 2. Provides an explanation in accordance with subsection (3) of this section
- 9 of how the secured party calculated the surplus or deficiency;
- 10 3. States, if applicable, that future debits, credits, charges, including
- 11 additional credit service charges or interest, rebates, and expenses may
- 12 affect the amount of the surplus or deficiency; and
- 13 4. Provides a telephone number or mailing address from which additional
- 14 information concerning the transaction is available; and~~[.]~~

15 (b) "Request" means a record:

- 16 1. Signed~~[Authenticated]~~ by a debtor or consumer obligor;
- 17 2. Requesting that the recipient provide an explanation; and
- 18 3. Sent after disposition of the collateral under KRS 355.9-610.

19 (2) In a consumer-goods transaction in which the debtor is entitled to a surplus or a

20 consumer obligor is liable for a deficiency under KRS 355.9-615, the secured party

21 shall:

22 (a) Send an explanation to the debtor or consumer obligor, as applicable, after the

23 disposition and:

- 24 1. Before or when the secured party accounts to the debtor and pays any
- 25 surplus or first makes~~[written]~~ demand in a record on the consumer
- 26 obligor after the disposition for payment of the deficiency; and
- 27 2. Within fourteen (14) days after receipt of a request; or

- 1 (b) In the case of a consumer obligor who is liable for a deficiency, within  
2 fourteen (14) days after receipt of a request, send to the consumer obligor a  
3 record waiving the secured party's right to a deficiency.
- 4 (3) To comply with subsection (1)(a)2. of this section, an explanation~~[a writing]~~ must  
5 provide the following information in the following order:
- 6 (a) The aggregate amount of obligations secured by the security interest under  
7 which the disposition was made, and, if the amount reflects a rebate of  
8 unearned interest or credit service charge, an indication of that fact, calculated  
9 as of a specified date:
- 10 1. If the secured party takes or receives possession of the collateral after  
11 default, not more than thirty-five (35) days before the secured party  
12 takes or receives possession; or
- 13 2. If the secured party takes or receives possession of the collateral before  
14 default or does not take possession of the collateral, not more than  
15 thirty-five (35) days before the disposition;
- 16 (b) The amount of proceeds of the disposition;
- 17 (c) The aggregate amount of the obligations after deducting the amount of  
18 proceeds;
- 19 (d) The amount, in the aggregate or by type, and types of expenses, including  
20 expenses of retaking, holding, preparing for disposition, processing, and  
21 disposing of the collateral, and attorney's fees secured by the collateral which  
22 are known to the secured party and relate to the current disposition;
- 23 (e) The amount, in the aggregate or by type, and types of credits, including  
24 rebates of interest or credit service charges, to which the obligor is known to  
25 be entitled and which are not reflected in the amount in paragraph (a) of this  
26 subsection; and
- 27 (f) The amount of the surplus or deficiency.

- 1 (4) (a) A particular phrasing of the explanation is not required.
- 2 (b) An explanation complying substantially with the requirements of subsection
- 3 (1) of this section is sufficient, even if it includes minor errors that are not
- 4 seriously misleading.
- 5 (5) A debtor or consumer obligor is entitled without charge to one (1) response to a
- 6 request under this section during any six (6) month period in which the secured
- 7 party did not send to the debtor or consumer obligor an explanation pursuant to
- 8 subsection (2)(a) of this section. The secured party may require payment of a charge
- 9 not exceeding twenty-five dollars (\$25) for each additional response.

10 ➔Section 87. KRS 355.9-619 is amended to read as follows:

- 11 (1) In this section, "transfer statement" means a record signed~~[authenticated]~~ by a
- 12 secured party stating:
- 13 (a) That the debtor has defaulted in connection with an obligation secured by
- 14 specified collateral;
- 15 (b) That the secured party has exercised its post-default remedies with respect to
- 16 the collateral;
- 17 (c) That, by reason of the exercise, a transferee has acquired the rights of the
- 18 debtor in the collateral; and
- 19 (d) The name and mailing address of the secured party, debtor, and transferee.
- 20 (2) (a) A transfer statement entitles the transferee to the transfer of record of all
- 21 rights of the debtor in the collateral specified in the statement in any official
- 22 filing, recording, registration, or certificate-of-title system covering the
- 23 collateral.
- 24 (b) If a transfer statement is presented with the applicable fee and request form to
- 25 the official or office responsible for maintaining the system, the official or
- 26 office shall:
- 27 1.[(a)] Accept the transfer statement;

1           ~~2.(b)~~     Promptly amend its records to reflect the transfer; and  
2           ~~3.(e)~~     If applicable, issue a new appropriate certificate of title in the  
3                           name of the transferee.

4     (3) A transfer of the record or legal title to collateral to a secured party under  
5       subsection (2) of this section or otherwise is not of itself a disposition of collateral  
6       under this article and does not of itself relieve the secured party of its duties under  
7       this article.

8     (4) A secured party who complies with KRS 186.045(6) is considered to have provided  
9       a transfer statement for purposes of this section.

10    ➔Section 88. KRS 355.9-620 is amended to read as follows:

11    (1) Except as otherwise provided in subsection (7) of this section, a secured party may  
12       accept collateral in full or partial satisfaction of the obligation it secures only if:

13       (a) The debtor consents to the acceptance under subsection (3) of this section;

14       (b) The secured party does not receive, within the time set forth in subsection (4)  
15       of this section, a notification of objection to the proposal  
16       signed~~authenticated~~ by:

17           1. A person to which the secured party was required to send a proposal  
18           under KRS 355.9-621; or

19           2. Any other person, other than the debtor, holding an interest in the  
20           collateral subordinate to the security interest that is the subject of the  
21           proposal;

22       (c) If the collateral is consumer goods, the collateral is not in the possession of  
23       the debtor when the debtor consents to the acceptance; and

24       (d) Subsection (5) of this section does not require the secured party to dispose of  
25       the collateral or the debtor waives the requirement pursuant to KRS 355.9-  
26       624.

27    (2) A purported or apparent acceptance of collateral under this section is ineffective

1 unless:

2 (a) The secured party consents to the acceptance in a signed~~[an authenticated]~~  
3 record or sends a proposal to the debtor; and

4 (b) The conditions of subsection (1) of this section are met.

5 (3) For purposes of this section:

6 (a) A debtor consents to an acceptance of collateral in partial satisfaction of the  
7 obligation it secures only if the debtor agrees to the terms of the acceptance in  
8 a record signed~~[authenticated]~~ after default; and

9 (b) A debtor consents to an acceptance of collateral in full satisfaction of the  
10 obligation it secures only if the debtor agrees to the terms of the acceptance in  
11 a record signed~~[authenticated]~~ after default or the secured party:

12 1. Sends to the debtor after default a proposal that is unconditional or  
13 subject only to a condition that collateral not in the possession of the  
14 secured party be preserved or maintained;

15 2. In the proposal, proposes to accept collateral in full satisfaction of the  
16 obligation it secures; and

17 3. Does not receive a notification of objection signed~~[authenticated]~~ by the  
18 debtor within twenty (20) days after the proposal is sent.

19 (4) To be effective under subsection (1)(b) of this section, a notification of objection  
20 must be received by the secured party:

21 (a) In the case of a person to which the proposal was sent pursuant to KRS 355.9-  
22 621, within twenty (20) days after notification was sent to that person; and

23 (b) In other cases:

24 1. Within twenty (20) days after the last notification was sent pursuant to  
25 KRS 355.9-621; or

26 2. If a notification was not sent, before the debtor consents to the  
27 acceptance under subsection (3) of this section.

- 1 (5) A secured party that has taken possession of collateral shall dispose of the collateral  
2 pursuant to KRS 355.9-610 within the time specified in subsection (6) of this  
3 section if:
- 4 (a) Sixty percent (60%) of the cash price has been paid in the case of a purchase-  
5 money security interest in consumer goods; or
- 6 (b) Sixty percent (60%) of the principal amount of the obligation secured has  
7 been paid in the case of a non-purchase-money security interest in consumer  
8 goods.
- 9 (6) To comply with subsection (5) of this section, the secured party shall dispose of the  
10 collateral:
- 11 (a) Within ninety (90) days after taking possession; or
- 12 (b) Within any longer period to which the debtor and all secondary obligors have  
13 agreed in an agreement to that effect entered into and signed~~[authenticated]~~  
14 after default.
- 15 (7) In a consumer transaction, a secured party may not accept collateral in partial  
16 satisfaction of the obligation it secures.
- 17 ➔Section 89. KRS 355.9-621 is amended to read as follows:
- 18 (1) A secured party that desires to accept collateral in full or partial satisfaction of the  
19 obligation it secures shall send its proposal to:
- 20 (a) Any person from which the secured party has received, before the debtor  
21 consented to the acceptance, a signed~~[an authenticated]~~ notification of a claim  
22 of an interest in the collateral;
- 23 (b) Any other secured party or lienholder that, ten (10) days before the debtor  
24 consented to the acceptance, held a security interest in or other lien on the  
25 collateral perfected by the filing of a financing statement that:
- 26 1. Identified the collateral;
- 27 2. Was indexed under the debtor's name as of that date; and



1           3. Was filed in the office or offices in which to file a financing statement  
2           against the debtor covering the collateral as of that date; and

3           (c) Any other secured party that, ten (10) days before the debtor consented to the  
4           acceptance, held a security interest in the collateral perfected by compliance  
5           with a statute, regulation, or treaty described in KRS 355.9-311(1).

6           (2) A secured party that desires to accept collateral in partial satisfaction of the  
7           obligation it secures shall send its proposal to any secondary obligor in addition to  
8           the persons described in subsection (1) of this section.

9           ➔Section 90. KRS 355.9-624 is amended to read as follows:

10          (1) A debtor or secondary obligor may waive the right to notification of disposition of  
11          collateral under KRS 355.9-611 only by an agreement to that effect entered into and  
12          signed~~authenticated~~ after default.

13          (2) A debtor may waive the right to require disposition of collateral under KRS 355.9-  
14          620(5) only by an agreement to that effect entered into and signed~~authenticated~~  
15          after default.

16          (3) Except in a consumer-goods transaction, a debtor or secondary obligor may waive  
17          the right to redeem collateral under KRS 355.9-623 only by an agreement to that  
18          effect entered into and signed~~authenticated~~ after default.

19          ➔Section 91. KRS 355.9-628 is amended to read as follows:

20          (1) Subject to subsection (6) of this section, unless a secured party knows that a person  
21          is a debtor or obligor, knows the identity of the person, and knows how to  
22          communicate with the person:

23                  (a) The secured party is not liable to the person, or to a secured party or  
24                  lienholder that has filed a financing statement against the person, for failure to  
25                  comply with this article; and

26                  (b) The secured party's failure to comply with this article does not affect the  
27                  liability of the person for a deficiency.

- 1 (2) **Subject to subsection (6) of this section,** a secured party is not liable because of its  
2 status as secured party:
- 3 (a) To a person that is a debtor or obligor, unless the secured party knows:
- 4 1. That the person is a debtor or obligor;
- 5 2. The identity of the person; and
- 6 3. How to communicate with the person; or
- 7 (b) To a secured party or lienholder that has filed a financing statement against a  
8 person, unless the secured party knows:
- 9 1. That the person is a debtor; and
- 10 2. The identity of the person.
- 11 (3) A secured party is not liable to any person, and a person's liability for a deficiency  
12 is not affected, because of any act or omission arising out of the secured party's  
13 reasonable belief that a transaction is not a consumer-goods transaction or a  
14 consumer transaction or that goods are not consumer goods, if the secured party's  
15 belief is based on its reasonable reliance on:
- 16 (a) A debtor's representation concerning the purpose for which collateral was to  
17 be used, acquired, or held; or
- 18 (b) An obligor's representation concerning the purpose for which a secured  
19 obligation was incurred.
- 20 (4) A secured party is not liable to any person under KRS 355.9-625(3)(b) for its  
21 failure to comply with KRS 355.9-616.
- 22 (5) A secured party is not liable under KRS 355.9-625(3)(b) more than once with  
23 respect to any one (1) secured obligation.
- 24 **(6) Subsections (1) and (2) of this section do not apply to limit the liability of a**  
25 **secured party to a person if, at the time the secured party obtains control of**  
26 **collateral that is a controllable account, controllable electronic record, or**  
27 **controllable payment intangible or at the time the security interest attaches to the**

1 collateral, whichever is later:

2 (a) The person is a debtor or obligor; and

3 (b) The secured party knows that the information in subsection (2)(a)1., 2., or  
 4 3. of this section relating to the person is not provided by the collateral, a  
 5 record attached to or logically associated with the collateral, or the system  
 6 in which the collateral is recorded.

7 ➔SECTION 92. ARTICLE 12 OF KRS CHAPTER 355 IS ESTABLISHED,  
 8 AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

9 This article may be cited as Uniform Commercial Code – Controllable Electronic  
 10 Records.

11 ➔SECTION 93. A NEW SECTION OF ARTICLE 12 OF KRS CHAPTER 355  
 12 IS CREATED TO READ AS FOLLOWS:

13 (1) In this article:

14 (a) 1. "Controllable electronic record" means a record stored in an  
 15 electronic medium that can be subjected to control under Section 96 of  
 16 this Act.

17 2. The term does not include:

18 a. A controllable account;

19 b. A controllable payment intangible;

20 c. A deposit account;

21 d. An electronic copy of a record evidencing chattel paper;

22 e. An electronic document of title;

23 f. Electronic money;

24 g. Investment property; or

25 h. A transferable record;

26 (b) "Qualifying purchaser" means a purchaser of a controllable electronic  
 27 record or an interest in a controllable electronic record that obtains control

1 of the controllable electronic record for value, in good faith, and without  
 2 notice of a claim of a property right in the controllable electronic record;

3 (c) "Transferable record" has the meaning provided for that term in:

4 1. The Electronic Signatures in Global and National Commerce Act, 15  
 5 U.S.C. sec. 7021, as amended; or

6 2. The Uniform Electronic Transactions Act, Section 110 of this Act; and

7 (d) "Value" has the meaning provided in KRS 355.3-303(1), as if references in  
 8 that subsection to an "instrument" were references to a controllable  
 9 account, controllable electronic record, or controllable payment intangible.

10 (2) The following definitions in Article 9 of this chapter apply to this article:

11 (a) "Account debtor";

12 (b) "Chattel paper";

13 (c) "Controllable account";

14 (d) "Controllable payment intangible";

15 (e) "Deposit account";

16 (f) "Electronic money"; and

17 (g) "Investment property."

18 (3) Article 1 of this chapter contains general definitions and principles of  
 19 construction and interpretation applicable throughout this article.

20 ➔SECTION 94. A NEW SECTION OF ARTICLE 12 OF KRS CHAPTER 355  
 21 IS CREATED TO READ AS FOLLOWS:

22 (1) If there is conflict between this article and Article 9 of this chapter, Article 9  
 23 governs.

24 (2) A transaction subject to this article is subject to any applicable rule of law that  
 25 establishes a different rule for consumers.

26 ➔SECTION 95. A NEW SECTION OF ARTICLE 12 OF KRS CHAPTER 355  
 27 IS CREATED TO READ AS FOLLOWS:

- 1 (1) This section applies to the acquisition and purchase of rights in a controllable  
2 account or controllable payment intangible, including the rights and benefits  
3 under subsections (3), (4), (5), (7), and (8) of this section of a purchaser and  
4 qualifying purchaser, in the same manner this section applies to a controllable  
5 electronic record.
- 6 (2) To determine whether a purchaser of a controllable account or a controllable  
7 payment intangible is a qualifying purchaser, the purchaser obtains control of  
8 the account or payment intangible if it obtains control of the controllable  
9 electronic record that evidences the account or payment intangible.
- 10 (3) Except as provided in this section, law other than this article determines whether  
11 a person acquires a right in a controllable electronic record and the right the  
12 person acquires.
- 13 (4) A purchaser of a controllable electronic record acquires all rights in the  
14 controllable electronic record that the transferor had or had power to transfer,  
15 except that a purchaser of a limited interest in a controllable electronic record  
16 acquires rights only to the extent of the interest purchased.
- 17 (5) A qualifying purchaser acquires its rights in the controllable electronic record  
18 free of a claim of a property right in the controllable electronic record.
- 19 (6) Except as provided in subsections (1) and (5) of this section for a controllable  
20 account and a controllable payment intangible or law other than this article, a  
21 qualifying purchaser takes a right to payment, right to performance, or other  
22 interest in property evidenced by the controllable electronic record subject to a  
23 claim of a property right in the right to payment, right to performance, or other  
24 interest in property.
- 25 (7) An action may not be asserted against a qualifying purchaser based on both a  
26 purchase by the qualifying purchaser of a controllable electronic record and a  
27 claim of a property right in another controllable electronic record, whether the

1 action is framed in conversion, replevin, constructive trust, equitable lien, or  
 2 other theory.

3 (8) Filing of a financing statement under Article 9 of this chapter is not notice of a  
 4 claim of a property right in a controllable electronic record.

5 ➔SECTION 96. A NEW SECTION OF ARTICLE 12 OF KRS CHAPTER 355  
 6 IS CREATED TO READ AS FOLLOWS:

7 (1) A person has control of a controllable electronic record if the electronic record, a  
 8 record attached to or logically associated with the electronic record, or a system  
 9 in which the electronic record is recorded:

10 (a) Gives the person:

11 1. Power to avail itself of substantially all the benefit from the electronic  
 12 record; and

13 2. Exclusive power, subject to subsection (2) of this section, to:

14 a. Prevent others from availing themselves of substantially all the  
 15 benefit from the electronic record; and

16 b. Transfer control of the electronic record to another person or  
 17 cause another person to obtain control of another controllable  
 18 electronic record as a result of the transfer of the electronic  
 19 record; and

20 (b) Enables the person readily to identify itself in any way, including by name,  
 21 identifying number, cryptographic key, office, or account number, as  
 22 having the powers specified in paragraph (a) of this subsection.

23 (2) Subject to subsection (3) of this section, a power is exclusive under subsection  
 24 (1)(a)2.a. and b. of this section even if:

25 (a) The controllable electronic record, a record attached to or logically  
 26 associated with the electronic record, or a system in which the electronic  
 27 record is recorded limits the use of the electronic record or has a protocol

- 1           programmed to cause a change, including a transfer or loss of control or a  
2           modification of benefits afforded by the electronic record; or
- 3           (b) The power is shared with another person.
- 4           (3) A power of a person is not shared with another person under subsection (2)(b) of  
5           this section and the person's power is not exclusive if:
- 6           (a) The person can exercise the power only if the power also is exercised by the  
7           other person; and
- 8           (b) The other person:
- 9                 1. Can exercise the power without exercise of the power by the person; or  
10                2. Is the transferor to the person of an interest in the controllable  
11                electronic record or a controllable account or controllable payment  
12                intangible evidenced by the controllable electronic record.
- 13           (4) If a person has the powers specified in subsection (1)(a)2.a. and b. of this section,  
14           the powers are presumed to be exclusive.
- 15           (5) A person has control of a controllable electronic record if another person, other  
16           than the transferor to the person of an interest in the controllable electronic  
17           record or a controllable account or controllable payment intangible evidenced by  
18           the controllable electronic record:
- 19           (a) Has control of the electronic record and acknowledges that it has control on  
20           behalf of the person; or
- 21           (b) Obtains control of the electronic record after having acknowledged that it  
22           will obtain control of the electronic record on behalf of the person.
- 23           (6) A person that has control under this section is not required to acknowledge that it  
24           has control on behalf of another person.
- 25           (7) If a person acknowledges that it has or will obtain control on behalf of another  
26           person, unless the person otherwise agrees or law other than this article or  
27           Article 9 of this chapter otherwise provides, the person does not owe any duty to

1 the other person and is not required to confirm acknowledgment to any other  
2 person.

3 ➔SECTION 97. A NEW SECTION OF ARTICLE 12 OF KRS CHAPTER 355  
4 IS CREATED TO READ AS FOLLOWS:

5 (1) An account debtor on a controllable account or controllable payment intangible  
6 may discharge its obligation by paying:

7 (a) The person having control of the controllable electronic record that  
8 evidences the controllable account or controllable payment intangible; or

9 (b) Except as provided in subsection (2) of this section, a person that formerly  
10 had control of the controllable electronic record.

11 (2) Subject to subsection (4) of this section, the account debtor may not discharge its  
12 obligation by paying a person that formerly had control of the controllable  
13 electronic record if the account debtor receives a notification that:

14 (a) Is signed by a person that formerly had control or the person to which  
15 control was transferred;

16 (b) Reasonably identifies the controllable account or controllable payment  
17 intangible;

18 (c) Notifies the account debtor that control of the controllable electronic record  
19 that evidences the controllable account or controllable payment intangible  
20 was transferred;

21 (d) Identifies the transferee, in any reasonable way, including by name,  
22 identifying number, cryptographic key, office, or account number; and

23 (e) Provides a commercially reasonable method by which the account debtor is  
24 to pay the transferee.

25 (3) After receipt of a notification that complies with subsection (2) of this section, the  
26 account debtor may discharge its obligation by paying in accordance with the  
27 notification and may not discharge the obligation by paying a person that



1 formerly had control.

2 (4) Subject to subsection (8) of this section, notification is ineffective under  
3 subsection (2) of this section:

4 (a) Unless, before the notification is sent, the account debtor and the person  
5 that, at that time, had control of the controllable electronic record that  
6 evidences the controllable account or controllable payment intangible agree  
7 in a signed record to a commercially reasonable method by which a person  
8 may furnish reasonable proof that control has been transferred;

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

13 (c) At the option of the account debtor, if the notification notifies the account  
14 debtor to:

15 1. Divide a payment;

16 2. Make less than the full amount of an installment or other periodic  
17 payment; or

18 3. Pay any part of a payment by more than one (1) method or to more  
19 than one (1) person.

20 (5) Subject to subsection (8) of this section, if requested by the account debtor, the  
21 person giving the notification under subsection (2) of this section seasonably  
22 shall furnish reasonable proof, using the method in the agreement referred to in  
23 subsection (4)(a) of this section, that control of the controllable electronic record  
24 has been transferred. Unless the person complies with the request, the account  
25 debtor may discharge its obligation by paying a person that formerly had control,  
26 even if the account debtor has received a notification under subsection (2) of this  
27 section.

- 1 (6) A person furnishes reasonable proof under subsection (5) of this section that  
 2 control has been transferred if the person demonstrates, using the method in the  
 3 agreement referred to in subsection (4)(a) of this section, that the transferee has  
 4 the power to:
- 5 (a) Avail itself of substantially all the benefit from the controllable electronic  
 6 record;
- 7 (b) Prevent others from availing themselves of substantially all the benefit from  
 8 the controllable electronic record; and
- 9 (c) Transfer the powers specified in paragraphs (a) and (b) of this subsection to  
 10 another person.
- 11 (7) Subject to subsection (8) of this section, an account debtor may not waive or vary  
 12 its rights under subsections (4)(a) and (5) of this section or its option under  
 13 subsection (4)(c) of this section.
- 14 (8) This section is subject to law other than this article which establishes a different  
 15 rule for an account debtor who is an individual and who incurred the obligation  
 16 primarily for personal, family, or household purposes.
- 17 ➔SECTION 98. A NEW SECTION OF ARTICLE 12 OF KRS CHAPTER 355  
 18 IS CREATED TO READ AS FOLLOWS:
- 19 (1) Except as provided in subsection (2) of this section, the local law of a controllable  
 20 electronic record's jurisdiction governs the matters covered by this article.
- 21 (2) For a controllable electronic record that evidences a controllable account or  
 22 controllable payment intangible, the local law of the controllable electronic  
 23 record's jurisdiction governs a matter covered by Section 97 of this Act unless an  
 24 effective agreement determines that the local law of another jurisdiction governs.
- 25 (3) The following rules determine a controllable electronic record's jurisdiction  
 26 under this section:
- 27 (a) If the controllable electronic record, or a record attached to or logically

1 associated with the controllable electronic record and readily available for  
2 review, expressly provides that a particular jurisdiction is the controllable  
3 electronic record's jurisdiction for purposes of this article or chapter, that  
4 jurisdiction is the controllable electronic record's jurisdiction;

5 (b) If paragraph (a) of this subsection does not apply and the rules of the  
6 system in which the controllable electronic record is recorded are readily  
7 available for review and expressly provide that a particular jurisdiction is  
8 the controllable electronic record's jurisdiction for purposes of this article  
9 or this chapter, that jurisdiction is the controllable electronic record's  
10 jurisdiction;

11 (c) If paragraphs (a) and (b) of this subsection do not apply and the  
12 controllable electronic record, or a record attached to or logically associated  
13 with the controllable electronic record and readily available for review,  
14 expressly provides that the controllable electronic record is governed by the  
15 law of a particular jurisdiction, that jurisdiction is the controllable  
16 electronic record's jurisdiction;

17 (d) If paragraphs (a), (b), and (c) of this subsection do not apply and the rules  
18 of the system in which the controllable electronic record is recorded are  
19 readily available for review and expressly provide that the controllable  
20 electronic record or the system is governed by the law of a particular  
21 jurisdiction, that jurisdiction is the controllable electronic record's  
22 jurisdiction; and

23 (e) If paragraphs (a) to (d) of this subsection do not apply, the controllable  
24 electronic record's jurisdiction is the District of Columbia.

25 (4) (a) If subsection (3)(e) of this section applies and Article 12 is not in effect in  
26 the District of Columbia without material modification, the governing law  
27 for a matter covered by this article is the law of the District of Columbia as

1 though Article 12 were in effect in the District of Columbia without material  
 2 modification.

3 (b) In this subsection, "Article 12" means Article 12 of the Uniform  
 4 Commercial Code Amendments (2022).

5 (5) To the extent subsections (1) and (2) of this section provide that the local law of  
 6 the controllable electronic record's jurisdiction governs a matter covered by this  
 7 article, that law governs even if the matter or a transaction to which the matter  
 8 relates does not bear any relation to the controllable electronic record's  
 9 jurisdiction.

10 (6) The rights acquired under Section 95 of this Act by a purchaser or qualifying  
 11 purchaser are governed by the law applicable under this section at the time of  
 12 purchase.

13 ➔SECTION 99. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
 14 IS CREATED TO READ AS FOLLOWS:

15 This article may be cited as Transitional Provisions for Uniform Commercial Code  
 16 Amendments (2022).

17 ➔SECTION 100. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
 18 IS CREATED TO READ AS FOLLOWS:

19 (1) In this article:

20 (a) "Adjustment date" means July 1, 2025; and

21 (b) "Article 12 property" means a controllable account, controllable electronic  
 22 record, or controllable payment intangible.

23 (2) The following definitions in other articles of this chapter apply to this article:

24 (a) "Controllable account." Section 42 of this Act;

25 (b) "Controllable electronic record." Section 93 of this Act;

26 (c) "Controllable payment intangible." Section 42 of this Act;

27 (d) "Electronic money." Section 42 of this Act; and

1 (e) "Financing statement." Section 42 of this Act.

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

4 ➔SECTION 101. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
5 IS CREATED TO READ AS FOLLOWS:

6 Except as provided in Sections 102 to 107 of this Act, a transaction validly entered into  
7 before the effective date of this Act and the rights, duties, and interests flowing from  
8 the transaction remain valid thereafter and may be terminated, completed,  
9 consummated, or enforced as required or permitted by law other than this chapter or, if  
10 applicable, this chapter, as though this Act had not taken effect.

11 ➔SECTION 102. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
12 IS CREATED TO READ AS FOLLOWS:

13 (1) Except as provided in this section and Sections 103 to 107 of this Act, Article 9 of  
14 this chapter, as amended by this Act, and Article 12 of this chapter apply to a  
15 transaction, lien, or other interest in property, even if the transaction, lien, or  
16 interest was entered into, created, or acquired before the effective date of this Act.

17 (2) Except as provided in subsection (3) of this section and Sections 103 to 107 of this  
18 Act:

19 (a) A transaction, lien, or interest in property that was validly entered into,  
20 created, or transferred before the effective date of this Act and was not  
21 governed by this chapter, but would be subject to Article 9 of this chapter, as  
22 amended by this Act, or Article 12 of this chapter if it had been entered into,  
23 created, or transferred on or after the effective date of this Act, including  
24 the rights, duties, and interests flowing from the transaction, lien, or  
25 interest, remains valid on and after the effective date of this Act; and

26 (b) The transaction, lien, or interest may be terminated, completed,  
27 consummated, and enforced as required or permitted by this Act or by the

1 law that would apply if this Act had not taken effect.

2 (3) This Act does not affect an action, case, or proceeding commenced before the  
3 effective date of this Act.

4 ➔SECTION 103. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
5 IS CREATED TO READ AS FOLLOWS:

6 (1) A security interest that is enforceable and perfected immediately before the  
7 effective date of this Act is a perfected security interest under this Act if, on the  
8 effective date of this Act, the requirements for enforceability and perfection under  
9 this Act are satisfied without further action.

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

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

16 (b) Remains enforceable thereafter only if the security interest satisfies the  
17 requirements for enforceability under Section 48 of this Act, as amended by  
18 this Act, before the adjustment date; and

19 (c) Remains perfected thereafter only if the requirements for perfection under  
20 this Act are satisfied before the time specified in paragraph (a) of this  
21 subsection.

22 ➔SECTION 104. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
23 IS CREATED TO READ AS FOLLOWS:

24 A security interest that is enforceable immediately before the effective date of this Act  
25 but is unperfected at that time:

26 (1) Remains an enforceable security interest until the adjustment date;

27 (2) Remains enforceable thereafter if the security interest becomes enforceable under

1 Section 48 of this Act, as amended by this Act, on the effective date of this Act or  
 2 before the adjustment date; and

3 (3) Becomes perfected:

4 (a) Without further action, on the effective date of this Act if the requirements  
 5 for perfection under this Act are satisfied before or at that time; or

6 (b) When the requirements for perfection are satisfied if the requirements are  
 7 satisfied after that time.

8 ➔SECTION 105. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
 9 IS CREATED TO READ AS FOLLOWS:

10 (1) (a) If action, other than the filing of a financing statement, is taken before the  
 11 effective date of this Act and the action would have resulted in perfection of  
 12 the security interest had the security interest become enforceable before the  
 13 effective date of this Act, the action is effective to perfect a security interest  
 14 that attaches under this Act before the adjustment date.

15 (b) An attached security interest becomes unperfected on the adjustment date  
 16 unless the security interest becomes a perfected security interest under this  
 17 Act before the adjustment date.

18 (2) The filing of a financing statement before the effective date of this Act is effective  
 19 to perfect a security interest on the effective date of this Act to the extent the filing  
 20 would satisfy the requirements for perfection under this Act.

21 (3) The taking of an action before the effective date of this Act is sufficient for the  
 22 enforceability of a security interest on the effective date of this Act if the action  
 23 would satisfy the requirements for enforceability under this Act.

24 ➔SECTION 106. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
 25 IS CREATED TO READ AS FOLLOWS:

26 (1) Subject to subsections (2) and (3) of this section, this Act determines the priority  
 27 of conflicting claims to collateral.

1 (2) Subject to subsection (3) of this section, if the priority of claims to collateral were  
 2 established before the effective date of this Act, Article 9 of this chapter, as in  
 3 effect before the effective date of this Act, determines priority.

4 (3) On the adjustment date, to the extent the priorities determined by Article 9 of this  
 5 chapter, as amended by this Act, modify the priorities established before the  
 6 effective date of this Act, the priorities of claims to Article 12 property and  
 7 electronic money established before the effective date of this Act cease to apply.

8 ➔SECTION 107. A NEW SECTION OF ARTICLE 11 OF KRS CHAPTER 355  
 9 IS CREATED TO READ AS FOLLOWS:

10 (1) Subject to subsections (2) and (3) of this section, Article 12 of this chapter  
 11 determines the priority of conflicting claims to Article 12 property when the  
 12 priority rules of Article 9 of this chapter, as amended by this Act, do not apply.

13 (2) Subject to subsection (3) of this section, when the priority rules of Article 9 of this  
 14 chapter, as amended by this Act, do not apply and the priorities of claims to  
 15 Article 12 property were established before the effective date of this Act, law other  
 16 than Article 12 of this chapter determines priority.

17 (3) When the priority rules of Article 9 of this chapter, as amended by this Act, do not  
 18 apply, to the extent the priorities determined by this Act modify the priorities  
 19 established before the effective date of this Act, the priorities of claims to Article  
 20 12 property established before the effective date of this Act cease to apply on the  
 21 adjustment date.

22 ➔Section 108. KRS 304.7-360 is amended to read as follows:

23 (1) As used in this section:

- 24 (a) "Clearing corporation" shall be defined as provided in KRS 355.8-102~~[(3)]~~  
 25 except that, with respect to securities issued by institutions organized or  
 26 existing under the laws of any foreign country or securities used to meet the  
 27 deposit requirements pursuant to the laws of a foreign country as a condition



- 1 of doing business therein, "clearing corporation" may include a corporation  
2 organized or existing under the laws of any foreign country which is legally  
3 qualified under such laws to effect transactions in securities by computerized  
4 book entry;
- 5 (b) "Custodian bank" means a national bank, state bank, or trust company which  
6 is a member of the Federal Reserve System which acts as custodian of all or  
7 any part of an insurance company's securities;
- 8 (c) "Direct participant" means a bank, trust company, or other institution which  
9 maintains an account in its name in a clearing corporation and through which  
10 an insurance company participates in a clearing corporation;
- 11 (d) "Federal reserve book-entry system" means the computerized systems  
12 sponsored by the United States Department of the Treasury and certain  
13 agencies and instrumentalities of the United States for holding and  
14 transferring securities of the United States government and such agencies and  
15 instrumentalities, respectively, in federal reserve banks through banks which  
16 are members of the Federal Reserve System or which otherwise have access  
17 to such computerized systems;
- 18 (e) "Member bank" means a national bank, state bank, or trust company which is  
19 a member of the Federal Reserve System through which an insurance  
20 company participates in the federal reserve book-entry system;
- 21 (f) "Security" means a certificated security or an uncertificated security;
- 22 (g) "Certificated security" means a share, participation, or other interest in  
23 property or an enterprise of the issuer or an obligation of the issuer which is  
24 represented by an instrument issued in bearer or registered form, of a type  
25 commonly dealt in on securities exchanges or markets or commonly  
26 recognized in any area in which it is issued or dealt in as a medium for  
27 investment, and either one (1) of a class or series or by its terms divisible into

1 a class or series of shares, participations, interests, or obligations; and

2 (h) "Uncertificated security" means a share, participation, or other interest in  
3 property or an enterprise of the issuer or an obligation of the issuer which is  
4 not represented by an instrument and the transfer of which is registered upon  
5 books maintained for that purpose by or on behalf of the issuer, of a type  
6 commonly dealt in on securities exchanges or markets; and either one (1) of a  
7 class or series or by its terms divisible into a class or series of shares,  
8 participations, interests, or obligations.

9 (2) Notwithstanding any other provision of law, an insurance company or its custodian  
10 bank may deposit or arrange for the deposit of securities held in or purchased for  
11 the general account and the separate accounts of such insurance company in a  
12 clearing corporation or the federal reserve book-entry system. When securities are  
13 deposited with a clearing corporation, certificates representing securities of the  
14 same class of the same issuer may be merged and held in bulk in the name of the  
15 nominee of such clearing corporation with any other securities deposited with such  
16 clearing corporation by any person, regardless of the ownership of such securities,  
17 and certificates representing securities of small denominations may be merged into  
18 one (1) or more certificates of larger denominations. The records of any member  
19 bank through which an insurance company holds securities in the federal reserve  
20 book-entry system, and the records of any direct participant through which an  
21 insurance company holds securities in a clearing corporation, shall at all times show  
22 that such securities are held for such insurance company or its custodian bank and  
23 for which accounts thereof. Ownership of, and other interests in, such securities  
24 may be transferred by bookkeeping entry on the books of such clearing corporation  
25 or in the federal reserve book-entry system without, in either case, physical delivery  
26 of certificates representing such securities.

27 (3) Notwithstanding any other provision of law, an insurance company may deposit

1 securities held in or purchased for its general account and its separate accounts in a  
2 custodial account with a custodian bank approved by, and under a custodial  
3 agreement approved by, the commissioner. When securities are deposited in such  
4 custodial account, certificates representing securities of the same class of the same  
5 issuer may be merged and held in bulk in the name of the custodian bank or its  
6 nominee with any other securities held in the custody of the custodian bank or its  
7 nominee by any person, regardless of the ownership of such securities, and  
8 certificates representing securities of small denominations may be merged into one  
9 (1) or more certificates of larger denominations. The records of the custodian bank  
10 which holds securities for an insurance company in a custodial account shall at all  
11 times show that such securities are held for such insurance company and for which  
12 accounts thereof. Ownership of, and other interests in, such securities may be  
13 transferred by bookkeeping entry on the books of such custodian bank without  
14 physical delivery of certificates representing such securities.

15 (4) The same bank or trust company may act as direct participant, member bank, and  
16 custodian bank for an insurance company.

17 (5) The commissioner of insurance shall promulgate administrative~~[rules and]~~  
18 regulations governing the deposit by insurance companies of securities with  
19 clearing corporations and in the federal reserve book-entry system and with  
20 custodian banks.

21 ➔Section 109. KRS 367.976 is amended to read as follows:

22 As used in KRS 367.976 to 367.985, unless the context otherwise requires:

23 (1) "Advertisement" means a commercial message in any medium that aids, promotes,  
24 or assists directly or indirectly a rental-purchase agreement, excluding in-store  
25 merchandising aids;~~;~~

26 (2) "Cash price" means the price at which the lessor would have sold the property to  
27 the consumer for cash on the date of the rental-purchase agreement;~~;~~

- 1 (3) "Consumer" means a natural person who rents personal property under a rental-  
 2 purchase agreement;~~[-]~~
- 3 (4) "Consummation" means the time a consumer becomes contractually obligated on a  
 4 rental-purchase agreement;~~[-]~~
- 5 (5) "Division" means the Division of Consumer Protection in the Office of the Attorney  
 6 General;~~[-]~~
- 7 (6) "Lessor" means a person who, in the ordinary course of business, regularly leases,  
 8 offers to lease, or arranges for the leasing of property under a rental-purchase  
 9 agreement;~~[-]~~
- 10 (7) (a) "Rental-purchase agreement" means an agreement for the use of personal  
 11 property by a natural person primarily for personal, family, or household  
 12 purposes, for an initial period of four (4) months or less, whether or not there  
 13 is any obligation beyond the initial period, that is automatically renewable  
 14 with each payment and that permits the consumer to become the owner of the  
 15 property.
- 16 (b) The term rental-purchase agreement shall not be construed to be, nor be  
 17 governed by, any of the following:
- 18 1.~~[(a)]~~ A lease or agreement which constitutes a credit sale as defined in  
 19 12 C.F.R. part 226.2(a)(16) and Section 1602~~[(h)]~~~~[(g)]~~ of the Truth in  
 20 Lending Act, 15 U.S.C. secs. 1601 et seq.;
- 21 2.~~[(b)]~~ A lease which constitutes a consumer lease as defined in 12 C.F.R.  
 22 part 213.2~~[(e)]~~~~[(1)]~~~~[(a)]~~~~(6)~~;
- 23 3.~~[(c)]~~ Any lease for agricultural, business, or commercial purposes;
- 24 4.~~[(d)]~~ Any lease made to an organization;
- 25 5.~~[(e)]~~ A lease or agreement which constitutes a retail installment  
 26 transaction or retail installment contract as defined in KRS 371.210;
- 27 6.~~[(f)]~~ A security interest as defined in KRS 355.1-201~~[(37)]~~; or

1            ~~Z.(g)~~ A home solicitation sale as that term is defined in KRS 367.410.

2            ➔Section 110. KRS 369.116 is amended to read as follows:

3            (1) In this section, "transferable record" means an electronic record that:

4            (a) Would be a note under Article 3 of KRS Chapter 355 or a document under  
5            Article 7 of KRS Chapter 355 if the electronic record were in writing; and

6            (b) The issuer of the electronic record expressly has agreed is a transferable  
7            record.

8            (2) A person has control of a transferable record if a system employed for evidencing  
9            the transfer of interests in the transferable record reliably establishes that person as  
10           the person to which the transferable record was issued or transferred.

11           (3) A system satisfies subsection (2) of this section, and a person is deemed to have  
12           control of a transferable record, if the transferable record is created, stored, and  
13           assigned in such a manner that:

14           (a) A single authoritative copy of the transferable record exists which is unique,  
15           identifiable, and, except as otherwise provided in paragraphs (d), (e), and (f)  
16           of this subsection, unalterable;

17           (b) The authoritative copy identifies the person asserting control as:

18           1. The person to which the transferable record was issued; or

19           2. If the authoritative copy indicates that the transferable record has been  
20           transferred, the person to which the transferable record was most  
21           recently transferred;

22           (c) The authoritative copy is communicated to and maintained by the person  
23           asserting control or its designated custodian;

24           (d) Copies of revisions that add or change an identified assignee of the  
25           authoritative copy can be made only with the consent of the person asserting  
26           control;

27           (e) Each copy of the authoritative copy and any copy of a copy is readily

1 identifiable as a copy that is not the authoritative copy; and

2 (f) Any revision of the authoritative copy is readily identifiable as authorized or  
3 unauthorized.

4 (4) (a) Except as otherwise agreed, a person having control of a transferable record is  
5 the holder, as defined in KRS 355.1-201~~[(20)]~~, of the transferable record and  
6 has the same rights and defenses as a holder of an equivalent record or writing  
7 under KRS Chapter 355, including, if the applicable statutory requirements  
8 under KRS 355.3-302(1), 355.7-501, or 355.9-330 are satisfied, the rights and  
9 defenses of a holder in due course, a holder to which a negotiable document  
10 of title has been duly negotiated, or a purchaser, respectively.

11 (b) Delivery, possession, and indorsement are not required to obtain or exercise  
12 any of the rights under this subsection.

13 (5) Except as otherwise agreed, an obligor under a transferable record has the same  
14 rights and defenses as an equivalent obligor under equivalent records or writing  
15 under KRS Chapter 355.

16 (6) If requested by a person against which enforcement is sought, the person seeking to  
17 enforce the transferable record shall provide reasonable proof that the person is in  
18 control of the transferable record. Proof may include access to the authoritative  
19 copy of the transferable record and related business records sufficient to review the  
20 terms of the transferable record and to establish the identity of the person having  
21 control of the transferable record.

22 ➔Section 111. This Act takes effect on January 1, 2024.