**UNIFORM COMMERCIAL CODE AND EMERGING TECHNOLOGIES ARTICLE 1 GENERAL PROVISIONS**

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

\* \* \*

(b)Subject to definitions contained in other articles of [the Uniform Commercial Code]

that apply to particular articles or parts thereof:

\* \* \*

 (3) “Agreement”, as distinguished from “contract”, means the bargain of the parties in fact, as found in their language or inferred from other circumstances, including course of performance, course of dealing, or usage of trade as provided in Section 1-303.

 \* \* \*

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

 \* \* \*

 (15) “Delivery”, with respect to an electronic document of title, means voluntary

transfer of control and, with respect to an instrument, a tangible document of title, or an authoritative tangible copy of a record evidencing chattel paper, means voluntary transfer of possession.

 (16) “Document of title” means a record (i) that in the regular course of business or financing is treated as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold, and dispose of the record and the goods the record covers and (ii) that purports to be issued by or addressed to a bailee and to cover goods in the bailee’s possession which are either identified or are fungible portions of an identified mass. The term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse receipt, and order for delivery of goods. An electronic document of title means a document of title evidenced by a record consisting of information stored in an electronic medium. A tangible document of title means a document of title evidenced by a record consisting of information that is inscribed on a tangible medium.

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

 \* \* \*

 (21) “Holder” means:

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

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

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

 \* \* \*

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

 \* \* \*

 (27) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, or any other legal or commercial entity. The term includes a protected series, however denominated, of an entity if the protected series is established under law other than [the Uniform Commercial Code] that limits, or limits if conditions specified under the law are satisfied, the ability of a creditor of the entity or of any other protected series of the entity to satisfy a claim from assets of the protected series.

 \* \* \*

 (33) “Representative” means a person empowered to act for another, including an agent, an officer of a corporation or association, and a trustee, executor, or administrator of an estate.

 \* \* \*

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

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

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

 (37) “Sign” means, with present intent to authenticate or adopt a record:

 (A)execute or adopt a tangible symbol; or

 (B)attach to or logically associate with the record an electronic symbol, sound, or process. “Signed” and “signature” have corresponding meanings.

\* \* \*

***Legislative Note:***

*A state should review and adjust any of its other statutes or regulations that rely on or refer to the definition of “money” in the state’s Uniform Commercial Code, subsection (b)(24), to take account of the amendment to that definition.*

*A state should enact the amendment to subsection (b)(27) whether the state has enacted the Uniform Protected Series Act (2017) or otherwise recognizes a protected series under its law. Because the amendment applies only under the enacting state’s Uniform Commercial Code, inclusion of the amendment does not require the enacting state to recognize a limit on liability of a protected series organized under the law of another jurisdiction or a limit on liability of the entity that established the protected series. The amendment clarifies the status of a protected series as a “person” under the choice-of-law and substantive law rules of the enacting state’s Uniform Commercial Code.*

\* \* \*

 **Section 1-204. Value**. Except as otherwise provided in Articles 3, 4, 5, 6, and 12, a person gives value for rights if the person acquires them:

(1) in return for a binding commitment to extend credit or for the extension of immediately available credit, whether or not drawn upon and whether or not a charge-back is provided for in the event of difficulties in collection;

 (2) as security for, or in total or partial satisfaction of, a preexisting claim;

 (3) by accepting delivery under a preexisting contract for purchase; or

 (4) in return for any consideration sufficient to support a simple contract.

\* \* \*

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

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

 (b) In the absence of an agreement effective under subsection (a), and except as provided in subsection (c), [the Uniform Commercial Code] applies to transactions bearing an appropriate relation to this state.

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

(1) Section 2-402;

(2) Sections 2A-105 and 2A-106;

(3) Section 4-102;

(4) Section 4A-507;

(5) Section 5-116;

(6) Section 6-103;

(7) Section 8-110;

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

(9) Section 12-107.

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

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

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**ARTICLE 2**

**SALES**

\* \* \*

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

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

 (2) In a hybrid transaction:

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

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

 (3) This Article does not apply to any transaction that, although in the form of an unconditional contract to sell or present sale, operates only to create a security interest and this Article does not impair or repeal any statute regulating sales to consumers, farmers, or other specified classes of buyers.

\* \* \*

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

 (1) In this Article unless the context otherwise requires “contract” and “agreement” are limited to those relating to the present or future sale of goods. “Contract for sale” includes both a present sale of goods and a contract to sell goods at a future time. A “sale” consists in the passing of title from the seller to the buyer for a price (Section 2–401). A “present sale” means a sale which is accomplished by the making of the contract.

 (2) Goods or conduct including any part of a performance are “conforming” or conform to the contract when they are in accordance with the obligations under the contract.

 (3) “Termination” occurs when either party pursuant to a power created by agreement or law puts an end to the contract otherwise than for its breach. On “termination” all obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

 (4) “Cancellation” occurs when either party puts an end to the contract for breach by the other and its effect is the same as that of “termination” except that the cancelling party also retains any remedy for breach of the whole contract or any unperformed balance.

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

 (a) the provision of services;

 (b) a lease of other goods; or

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

 \* \* \*

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

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

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

\* \* \*

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

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

 (a) by course of performance, course of dealing, or usage of trade (Section 1-303); and

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

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

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

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

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

\* \* \*

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

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

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

\* \* \*

**Section 2-607. Effect of Acceptance; Notice of Breach; Burden of Establishing Breach After Acceptance; Notice of Claim or Litigation to Person Answerable Over.**

1. The buyer must pay at the contract rate for any goods accepted.

 (2) Acceptance of goods by the buyer precludes rejection of the goods accepted and if made with knowledge of a non-conformity cannot be revoked because of it unless the acceptance was on the reasonable assumption that the non-conformity would be seasonably cured, but acceptance does not of itself impair any other remedy provided by this Article for non­conformity.

 (3) Where a tender has been accepted

 (a) the buyer must within a reasonable time after it discovers or should have discovered any breach notify the seller of breach or be barred from any remedy; and

 (b)if the claim is one for infringement or the like (subsection (3) of Section 2­-

312)and the buyer is sued as a result of the breach, the buyer must so notify the seller within a reasonable time after the buyer receives notice of the litigation or be barred from any remedy over for liability established by the litigation.

(4) The burden is on the buyer to establish any breach with respect to the goods accepted.

 (5) Where the buyer is sued for breach of a warranty or other obligation for which his seller is answerable over

 (a) the buyer may give the seller written notice of the litigation. If the notice states that the seller may come in and defend and that if the seller does not do so he will be bound in any action against him by the buyer by any determination of fact common to the two litigations, then unless the seller after seasonable receipt of the notice does come in and defend it is so bound.

(b)if the claim is one for infringement or the like (subsection (3) of Section 2­

312)the original seller may demand in writing that his buyer turn over to him control of the litigation including settlement or else be barred from any remedy over and if he also agrees to bear all expense and to satisfy any adverse judgment, then unless the buyer after seasonable receipt of the demand does turn over control the buyer is so barred.

 (6) The provisions of subsections (3), (4) and (5) apply to any obligation of a buyer to

hold the seller harmless against infringement or the like (subsection (3) of Section 2-312).

\* \* \*

**Section 2-616. Procedure on Notice Claiming Excuse.**

 (1) Where the buyer receives notification of a material or indefinite delay or an allocation justified under the preceding section he may by written notification to the seller as to any delivery concerned, and where the prospective deficiency substantially impairs the value of the whole contract under the provisions of this Article relating to breach of installment contracts (Section 2-612), then also as to the whole,

 (a)terminate and thereby discharge any unexecuted portion of the contract; or (b) modify the contract by agreeing to take his available quota in substitution.

(2) If after receipt of such notification from the seller the buyer fails so to modify the contract within a reasonable time not exceeding thirty days the contract lapses with respect to any deliveries affected.

(3) The provisions of this section may not be negated by agreement except in so far as the

seller has assumed a greater obligation under the preceding section.

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**ARTICLE 2A**

**LEASES**

\* \* \*

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

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

 (2) In a hybrid lease:

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

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

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

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

b) If the lease-of-goods aspects of a hybrid lease predominate, this Article applies to the transaction, but this does not preclude the application in appropriate circumstances of other law to the aspects the lease which do not relate to the lease of goods.

\* \* \*

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

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

 \* \* \*

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

 (i) the provision of services;

 (ii) a sale of other goods; or

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

 \* \* \*

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

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

\* \* \*

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

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

(a)the total payments to be made under the lease contract, excluding payments for options to renew or buy, are less than $1,000; or

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

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

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

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

 (a) if the goods are to be specially manufactured or obtained for the lessee and are not suitable for lease or sale to others in the ordinary course of the lessor’s business, and the lessor, before notice of repudiation is received and under circumstances that reasonably indicate that the goods are for the lessee, has made either a substantial beginning of their manufacture or commitments for their procurement;

 (b) if the party against whom enforcement is sought admits in that party’s pleading, testimony or otherwise in court that a lease contract was made, but the lease contract is not enforceable under this provision beyond the quantity of goods admitted; or

 (c) with respect to goods that have been received and accepted by the lessee.

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

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

 (b) if the party against whom enforcement is sought admits in that party’s

pleading, testimony, or otherwise in court a lease term, the term so admitted; or

(c) a reasonable lease term.

\* \* \*

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

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

(a)by course of dealing or usage of trade or by course of performance; and

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

\* \* \*

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

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

\* \* \*

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

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

\* \* \*

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

(1) An agreement modifying a lease contract needs no consideration to be binding.

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

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**ARTICLE 3**

**NEGOTIABLE INSTRUMENTS**

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

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

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

 (2) is payable on demand or at a definite time; and

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

\* \* \*

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

(a) “Issue” means:

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

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

 (b)An unissued instrument, or an unissued incomplete instrument that is completed, is binding on the maker or drawer, but nonissuance is a defense. An instrument that is conditionally issued or is issued for a special purpose is binding on the maker or drawer, but failure of the condition or special purpose to be fulfilled is a defense.

(c) “Issuer” applies to issued and unissued instruments and means a maker or drawer of

an instrument. \* \* \*

**Section 3-401. Signature Necessary for Liability on Instrument.**

A person is not liable on an instrument unless (i) the person signed the instrument, or (ii) the person is represented by an agent or representative who signed the instrument and the signature is binding on the represented person under Section 3–402.

**\* \* \***

**Section 3-604. Discharge by Cancellation or Renunciation.**

 (a) A person entitled to enforce an instrument, with or without consideration, may discharge the obligation of a party to pay the instrument (i) by an intentional voluntary act, such as surrender of the instrument to the party, destruction, mutilation, or cancellation of the instrument, cancellation or striking out of the party’s signature, or the addition of words to the instrument indicating discharge, or (ii) by agreeing not to sue or otherwise renouncing rights against the party by a signed record. The obligation of a party to pay a check is not discharged solely by the destruction of the check in connection with a process in which information is extracted from the check and an image of the check is made and, subsequently, the information and image are transmitted for payment.

 (b) Cancellation or striking out of an indorsement pursuant to subsection (a) does not affect the status and rights of a party derived from the indorsement.

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**ARTICLE 4**

**BANK DEPOSITS AND COLLECTIONS**

\* \* \*

**ARTICLE 4A**

**FUNDS TRANSFERS**

**Section 4A-103. Payment Order ‒Definitions.**

(a) In this Article:

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

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

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

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

**\* \* \***

**Section 4A-201. Security Procedure.** “Security procedure” means a procedure established by agreement of a customer and a receiving bank for the purpose of (i) verifying that a payment order or communication amending or cancelling a payment order is that of the customer, or (ii) detecting error in the transmission or the content of the payment order or communication. A security procedure may impose an obligation on the receiving bank or the customer and may require the use of algorithms or other codes, identifying words, numbers, symbols, sounds, biometrics, encryption, callback procedures, or similar security devices. Comparison of a signature on a payment order or communication with an authorized specimen signature of the customer or requiring a payment order to be sent from a known email address, IP address, or phone number is not by itself a security procedure.

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

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

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

 (c) Commercial reasonableness of a security procedure is a question of law to be determined by considering the wishes of the customer expressed to the bank, the circumstances of the customer known to the bank, including the size, type, and frequency of payment orders normally issued by the customer to the bank, alternative security procedures offered to the customer, and security procedures in general use by customers and receiving banks similarly situated. A security procedure is deemed to be commercially reasonable if (i) the security procedure was chosen by the customer after the bank offered, and the customer refused, a security procedure that was commercially reasonable for that customer, and (ii) the customer expressly agreed in a record to be bound by any payment order, whether or not authorized, issued in its name and accepted by the bank in compliance with the bank’s obligations under the security procedure chosen by the customer.

\* \* \*

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

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

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

 (2) The receiving bank is not entitled to enforce or retain payment of the payment order if the customer proves that the order was not caused, directly or indirectly, by a person (i)entrusted at any time with duties to act for the customer with respect to payment orders or the security procedure, or (ii) who obtained access to transmitting facilities of the customer or who obtained, from a source controlled by the customer and without authority of the receiving bank, information facilitating breach of the security procedure, regardless of how the information was obtained or whether the customer was at fault. Information includes any access device, computer software, or the like.

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

payment orders.

\* \* \*

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

\* \* \*

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

 (1) If the originator is a bank, the originator is obliged to pay its order.

 (2) If the originator is not a bank and proves that the person identified by number was not entitled to receive payment from the originator, the originator is not obliged to pay its order unless the originator’s bank proves that the originator, before acceptance of the originator’s order, had notice that payment of a payment order issued by the originator might be made by the beneficiary’s bank on the basis of an identifying or bank account number even if it identifies a person different from the named beneficiary. Proof of notice may be made by any admissible evidence. The originator’s bank satisfies the burden of proof if it proves that the originator, before the payment order was accepted, signed a record stating the information to which the notice relates.

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

\* \* \*

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

 (1) If the sender is a bank, the receiving bank may rely on the number as the proper identification of the intermediary or beneficiary’s bank if the receiving bank, when it executes the sender’s order, does not know that the name and number identify different persons. The receiving bank need not determine whether the name and number refer to the same person or whether the number refers to a bank. The sender is obliged to compensate the receiving bank for any loss and expenses incurred by the receiving bank as a result of its reliance on the number in executing or attempting to execute the order.

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

\* \* \*

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

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

\* \* \*

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

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

\* \* \*

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

 (a) If a funds transfer is completed but execution of a payment order by the receiving bank in breach of Section 4A-302 results in delay in payment to the beneficiary, the bank is obliged to pay interest to either the originator or the beneficiary of the funds transfer for the period of delay caused by the improper execution. Except as provided in subsection (c), additional damages are not recoverable.

 (b) If execution of a payment order by a receiving bank in breach of Section 4A-302 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary bank designated by the originator, or (iii) issuance of a payment order that does not comply with the terms of the payment order of the originator, the bank is liable to the originator for its expenses in the funds transfer and for incidental expenses and interest losses, to the extent not covered by subsection (a), resulting from the improper execution. Except as provided in subsection (c), additional damages are not recoverable.

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

 (d) If a receiving bank fails to execute a payment order it was obliged by express agreement to execute, the receiving bank is liable to the sender for its expenses in the transaction and for incidental expenses and interest losses resulting from the failure to execute. Additional damages, including consequential damages, are recoverable to the extent provided in an express agreement of the receiving bank, evidenced by a record, but are not otherwise recoverable.

 (e) Reasonable attorney's fees are recoverable if demand for compensation under subsection (a) or (b) is made and refused before an action is brought on the claim. If a claim is made for breach of an agreement under subsection (d) and the agreement does not provide for damages, reasonable attorney's fees are recoverable if demand for compensation under subsection (d) is made and refused before an action is brought on the claim.

(f) Except as stated in this section, the liability of a receiving bank under subsections (a)

and (b) may not be varied by agreement.

 \* \* \*

**ARTICLE 5**

**LETTERS OF CREDIT**

\* \* \*

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

A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be issued in any form that is a record and is signed.

\* \* \*

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

(a)The liability of an issuer, nominated person, or adviser for action or omission is governed by the law of the jurisdiction chosen by an agreement in the form of a record signed by the affected parties or by a provision in the person’s letter of credit, confirmation, or other undertaking. The jurisdiction whose law is chosen need not bear any relation to the transaction.

(b)Unless subsection (a) applies, the liability of an issuer, nominated person, or adviser for action or omission is governed by the law of the jurisdiction in which the person is located. The person is considered to be located at the address indicated in the person’s undertaking. If more than one address is indicated, the person is considered to be located at the address from which the person’s undertaking was issued.

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

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

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

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

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

\* \* \*

**ARTICLE 7**

**DOCUMENTS OF TITLE**

**Section 7-102. Definitions and Index of Definitions.**

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

\* \* \*

 (9) “Person entitled under the document” means the holder, in the case of a negotiable document of title, or the person to which delivery of the goods is to be made by the terms of, or pursuant to instructions in a record under, a nonnegotiable document of title.

 (10) [Reserved.]

(11) [Reserved.]

\* \* \*

**Section 7-106. Control of Electronic Document of Title.1**

 (a) [**General rule.]** A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred.

 (b) [**Single authoritative copy.]** A system satisfies subsection (a), and a person has control of an electronic document of title, if the document is created, stored, and transferred in such a manner that:

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

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

 (A)the person to which the document was issued; or

 (B)if the authoritative copy indicates that the document has been transferred, the person to which the document was most recently transferred;

 (3) the authoritative copy is communicated to and maintained by the person asserting control or its designated custodian;

 (4) copies or amendments that add or change an identified transferee of the authoritative copy can be made only with the consent of the person asserting control; 1 Subsection captions are included here for convenience. They will be deleted in the final text because, unlike Articles 9 and 12, the UCC makes no provision for subsection captions in Article 7.

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

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

 (c) [**One or more authoritative electronic copies.]** A system satisfies subsection (a), and a person has control of an electronic document of title, if an electronic copy of the document, a record attached to or logically associated with the electronic copy, or a system in which the electronic copy is recorded:

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

 (2) enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as the person to which each authoritative electronic copy was issued or transferred; and

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

 (A)prevent others from adding or changing the person to which each authoritative electronic copy has been issued or transferred; and

 (B) transfer control of each authoritative electronic copy.

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

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

 (2) the power is shared with another person.

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

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

 (2) the other person either:

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

 (B)is the transferor to the person of an interest in the document of title.

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

 (g) **[Obtaining control through another person.]** A person has control of an electronic document of title if another person, other than the transferor to the person of an interest in the document:

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

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

 (h) **[No requirement to acknowledge.]** A person that has control under this section is not required to acknowledge that it has or will obtain control on behalf of another person.

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

\* \* \*

**ARTICLE 8**

**INVESTMENT**

 **SECURITIES Section 8-102. Definitions and Index of Definitions.**

\* \* \*

(a) In this Article:

\* \* \*

 (4) “Certificated security” means a security that is represented by a certificate.

 \* \* \*

 (6) “Communicate” means to:

 (i)send a signed record; or

 (ii) transmit information by any mechanism agreed upon by the persons

transmitting and receiving the information.

 \* \* \*

(9) “Financial asset,” except as otherwise provided in Section 8-103, means:

(i)a security;

(ii)an obligation of a person or a share, participation, or other interest in a person or in property or an enterprise of a person, which is, or is of a type, dealt in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment; or

(iii)any property that is held by a securities intermediary for another person in a securities account if the securities intermediary has expressly agreed with the other person that the property is to be treated as a financial asset under this Article. As context requires, the term means either the interest itself or the means by which a person’s claim to it is evidenced, including a certificated or uncertificated security, a security certificate, or a security entitlement.

\* \* \*

(14) “Securities intermediary” means:

 (i) a clearing corporation; or

 (ii) a person, including a bank or broker, that in the ordinary course of its

business maintains securities accounts for others and is acting in that capacity.

 \* \* \*

(16) “Security certificate” means a certificate representing a security.

 \* \* \*

 (18) “Uncertificated security” means a security that is not represented by a certificate.

 \* \* \*

(b.1) The following definitions in other Articles apply to this Article:

“Controllable account”. Section 9-102.

“Controllable electronic record”. Section 12-102.

“Controllable payment intangible”. Section 9-102.

\* \* \*

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

\* \* \*

(h) A controllable account, controllable electronic record, or controllable payment

intangible is not a financial asset unless Section 8-102(a)(9)(iii) applies.

 \* \* \*

**Section 8-106. Control**

\* \* \*

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

\* \* \*

 (3) another person, other than the transferor to the purchaser of an interest in the security entitlement:

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

(B)obtains control of the security entitlement after having acknowledged

that it will obtain control of the security entitlement on behalf of the purchaser.

 \* \* \*

 (h) **No requirement to acknowledge.** A person that has control under this section is not required to acknowledge that it has control on behalf of a purchaser.

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

 \* \* \*

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

(a) The local law of the issuer's jurisdiction, as specified in subsection (d), governs: (1) the validity of a security;

 (2) the rights and duties of the issuer with respect to registration of transfer;

 (3) the effectiveness of registration of transfer by the issuer;

 (4) whether the issuer owes any duties to an adverse claimant to a security; and

 (5) whether an adverse claim can be asserted against a person to whom transfer of a certificated or uncertificated security is registered or a person who obtains control of an uncertificated security.

 (b)The local law of the securities intermediary's jurisdiction, as specified in subsection (e), governs:

 (1) acquisition of a security entitlement from the securities intermediary;

 (2) the rights and duties of the securities intermediary and entitlement holder arising out of a security entitlement;

 (3) whether the securities intermediary owes any duties to an adverse claimant to a security entitlement; and

 (4) whether an adverse claim can be asserted against a person who acquires a security entitlement from the securities intermediary or a person who purchases a security entitlement or interest therein from an entitlement holder.

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

(d) “Issuer's jurisdiction” means the jurisdiction under which the issuer of the security is organized or, if permitted by the law of that jurisdiction, the law of another jurisdiction specified by the issuer. An issuer organized under the law of this State may specify the law of another jurisdiction as the law governing the matters specified 'in subsection (a)(2) through (5).

 (e)The following rules determine a “securities intermediary's jurisdiction” for purposes of this section:

 (1) If an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that a particular jurisdiction is the securities intermediary's jurisdiction for purposes of this part, this article, or this [Act], that jurisdiction is the securities intermediary's jurisdiction.

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

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

 (4) If none of the preceding paragraphs applies, the securities intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the entitlement holder's account is located.

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

 (f)A securities intermediary's jurisdiction is not determined by the physical location of certificates representing financial assets, or by the jurisdiction in which is organized the issuer of the financial asset with respect to which an entitlement holder has a security entitlement, or by the location of facilities for data processing or other record keeping concerning the account.

 (g)The local law of the issuer’s jurisdiction or the securities intermediary’s jurisdiction governs the matters specified in subsections (a) and (b) even if a matter or transaction does not bear any relation to that jurisdiction.

\* \* \*

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

(a) “Protected purchaser” means a purchaser of a certificated or uncertificated security, or of an interest therein, who:

 (1) gives value;

 (2) does not have notice of any adverse claim to the security; and

 (3) obtains control of the certificated or uncertificated security.

(b) A protected purchaser acquires its interest in the security free of any adverse claim.

 \* \* \*

**ARTICLE 9 SECURED TRANSACTIONS**

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

(a) **Article 9 definitions.** In this article:

 \* \* \*

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

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

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

 (A) signed by a secured party;

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

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

 \* \* \*

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

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

(7) [Reserved.]

\* \* \*

 (11) “Chattel paper” means:

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

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

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

 (ii) the predominant purpose of the transaction giving rise to the lease was to give the lessee the right to possession and use of the goods. The term does not include a right to payment arising out of a charter or other contract involving the use or hire of a vessel or a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

\* \* \*

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

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

\* \* \*

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

\* \* \*

 [Reserved.]

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

 \* \* \*

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

 \* \* \*

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

\* \* \*

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

\* \* \*

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

 \* \* \*

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

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

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

 (C)rights arising out of collateral;

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

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

 \* \* \*

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

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

\* \* \*

 (75) [Reserved.]

\* \* \*

 [Reserved.]

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

(b) **[Definitions in other articles.]** “Control” as provided in Section 7-106 and

Section 12-105 and the following definitions in other articles apply to this article:

 \* \* \*

 “Controllable electronic record”. Section 12-102.

 \* \* \*

 “Negotiable instrument”. Section 3-104.

 \* \* \*

 “Qualifying purchaser”. Section 12-102.

 \* \* \*

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

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

\* \* \*

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

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

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

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

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

 (4) another person, other than the debtor:

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

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

 (b) **[Debtor’s right to direct disposition.]** A secured party that has satisfied subsection

(a) has control, even if the debtor retains the right to direct the disposition of funds from the deposit account.

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

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

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

 (1) a single authoritative copy of the record or records exists which is unique, identifiable, and, except as otherwise provided in paragraphs (4), (5), and (6), unalterable; (2) the authoritative copy identifies the purchaser as the assignee of the record or records;

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

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

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

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

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

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

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

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

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

 (B) transfer control of the authoritative electronic copy.

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

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

 (2) the power is shared with another person.

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

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

 (2) the other person either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

 (b) **[Meaning of exclusive.]** Subject to subsection (c) a power is exclusive under subsection (a)(1)(B), even if:

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

 (2) the power is shared with another person.

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

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

 (2) the other person either:

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

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

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

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

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

(2) obtains control of the electronic money after having acknowledged that it will

obtain control of the electronic money on behalf of the person.

 \* \* \*

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

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

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

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

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

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

\* \* \*

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

**\* \* \***

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

 (1) value has been given;

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

 (3) one of the following conditions is met:

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

 \* \* \*

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

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

(E) the collateral is chattel paper and the secured party has possession and

control under Section 9-314A pursuant to the debtor’s security agreement.

 \* \* \*

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

\* \* \*

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

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

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

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

 (2) a commercial tort claim.

 (c) **[Limitation on subsection (b).]** Subsection (b) does not prevent a security interest from attaching:

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

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

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

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

\* \* \*

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

\* \* \*

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

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

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

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

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

\* \* \*

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

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

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

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

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

 (A)pay the debtor the balance on deposit in the deposit account; or (B)transfer the balance on deposit into a deposit account in the debtor’s name;

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

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

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

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

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

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

\* \* \*

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

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

 (1) there is no outstanding secured obligation; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) disclaiming any interest in the collateral; and

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

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

 (1) disclaiming any interest in the obligations; and

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

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

\* \* \*

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

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

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

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

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

 (A)perfection of a security interest in the goods by filing a fixture filing; (B)perfection of a security interest in timber to be cut; and (C)the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.

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

\* \* \*

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

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

 (b) **[Bank’s jurisdiction.]** The following rules determine a bank’s jurisdiction for purposes of this part:

 (1) If an agreement between the bank and its customer governing the deposit account expressly provides that a particular jurisdiction is the bank’s jurisdiction for purposes of this part, this article, or [the Uniform Commercial Code], that jurisdiction is the bank’s jurisdiction.

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

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

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

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

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

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

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

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

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

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

 (5) The local law of the issuer’s jurisdiction, the securities intermediary’s jurisdiction, or the commodity intermediary’s jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest, even if a transaction does not bear any relation to that jurisdiction.

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

 (1) If an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that a particular jurisdiction is the commodity intermediary’s jurisdiction for purposes of this part, this article, or [the Uniform Commercial Code], that jurisdiction is the commodity intermediary’s jurisdiction.

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

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

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

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

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

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

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

(3) automatic perfection of a security interest in a commodity contract or

commodity account created by a commodity intermediary.

 \* \* \*

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

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

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

 (1) If the authoritative electronic copy of the record evidencing chattel paper, or a record attached to or logically associated with the electronic copy and readily available for review, expressly provides that a particular jurisdiction is the chattel paper’s jurisdiction for purposes of this part, this article, or [the Uniform Commercial Code], that jurisdiction is the chattel paper’s jurisdiction. (2) If paragraph (1) does not apply and the rules of the system in which the authoritative electronic copy is recorded are readily available for review and expressly provide that a particular jurisdiction is the chattel paper’s jurisdiction for purposes of this part, this article, or [the Uniform Commercial Code], that jurisdiction is the chattel paper’s jurisdiction.

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

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

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

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

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

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

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

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

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

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

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

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

created by a sale of the controllable payment intangible.

 \* \* \*

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

\* \* \*

(b) **[Exceptions: filing not necessary.]** The filing of a financing statement is not

necessary to perfect a security interest: \* \* \*

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

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

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

(11) that is perfected under Section 9-316.

\* \* \*

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

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

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

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

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

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

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

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

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

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

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

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

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

 (3) filing as to the goods.

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

\* \* \*

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

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

 \* \* \*

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

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

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

 \* \* \*

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

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

 (b) **[Specified collateral: time of perfection by control; continuation of perfection.]** A security interest in, controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic documents, electronic money, or letter-of-credit rights is perfected by control under Section 7-106, 9-104, 9-105A, 9-107, or 9-107A no earlier than the time the secured party obtains control and remains perfected by control only while the secured party retains control.

\* \* \*

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

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

 (b) **[Time of perfection; continuation of perfection.]** A security interest is perfected under subsection (a) no earlier than the time the secured party takes possession and obtains control and remains perfected under subsection (a) only while the secured party retains possession and control.

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

\* \* \*

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

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

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

 (2) the expiration of four months after a change of the debtor’s location to another jurisdiction; or

(3) the expiration of one year after a transfer of collateral to a person that thereby

becomes a debtor and is located in another jurisdiction.

 \* \* \*

 (c) **[Possessory security interest in collateral moved to new jurisdiction.]** A possessory security interest in collateral, other than goods covered by a certificate of title and as-extracted collateral consisting of goods, remains continuously perfected if:

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

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

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

 \* \* \*

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

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

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

 (g) **[Subsection (f) security interest perfected or unperfected under law of new jurisdiction.]** If a security interest described in subsection (f) becomes perfected under the law of the other jurisdiction before the earlier of the time or the end of the period described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier of that time or the end of that period, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

\* \* \*

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

\* \* \*

 (b) **[Buyers that receive delivery.]** Except as otherwise provided in subsection (e), a buyer, other than a secured party, of goods, instruments, tangible documents, or a security certificate takes free of a security interest or agricultural lien if the buyer gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

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

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

 \* \* \*

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

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

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

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

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

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

\* \* \*

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

\* \* \*

 (d) **[Buyer of goods.]** Except as otherwise provided in subsection (e), a buyer of goods takes free of a security interest to the extent that it secures advances made after the earlier of:

 (1) the time the secured party acquires knowledge of the buyer’s purchase; or

 (2) 45 days after the purchase.

 (e) **[Advances made pursuant to commitment: priority of buyer of goods.]** Subsection (d) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the buyer’s purchase and before the expiration of the 45-day period.

 (f) **[Lessee of goods.]** Except as otherwise provided in subsection (g), a lessee of goods takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of:

 (1) the time the secured party acquires knowledge of the lease; or

 (2) 45 days after the lease contract becomes enforceable.

 (g) **[Advances made pursuant to commitment: priority of lessee of goods.]** Subsection (f) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the lease and before the expiration of the 45-day period.

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

\* \* \*

 (b) **[Inventory purchase-money priority.]** Subject to subsection (c) and except as otherwise provided in subsection (g), a perfected purchase-money security interest in inventory has priority over a conflicting security interest in the same inventory, has priority over a conflicting security interest in chattel paper or an instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if so provided in Section 9-330, and, except as otherwise provided in Section 9-327, also has priority in identifiable cash proceeds of the inventory to the extent the identifiable cash proceeds are received on or before the delivery of the inventory to a buyer, if:

 (1) the purchase-money security interest is perfected when the debtor receives possession of the inventory;

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

 (3) the holder of the conflicting security interest receives the notification within five years before the debtor receives possession of the inventory; and

 (4) the notification states that the person sending the notification has or expects to acquire a purchase-money security interest in inventory of the debtor and describes the inventory.

 \* \* \*

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

 (1) the purchase-money security interest is perfected when the debtor receives possession of the livestock;

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

 (3) the holder of the conflicting security interest receives the notification within six months before the debtor receives possession of the livestock; and

 (4) the notification states that the person sending the notification has or expects to acquire a purchase-money security interest in livestock of the debtor and describes the livestock.

\* \* \*

**Section 9-326A. Priority of Security Interest in Controllable Account, Controllable Electronic Record, and Controllable Payment Intangible.** A security interest in a controllable account, controllable electronic record, or controllable payment intangible held by a secured party having control of the account, electronic record, or payment intangible has priority over a conflicting security interest held by a secured party that does not have control.

\* \* \*

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

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

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

 (2) the authoritative copies of the record evidencing the chattel paper do not indicate that the chattel paper has been assigned to an identified assignee other

than the purchaser.

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

 \* \* \*

 (f) **[Indication of assignment gives knowledge.]** For purposes of subsections (b) and (d), if the authoritative copies of the record evidencing chattel paper or an instrument indicate that the chattel paper or instrument has been assigned to an identified secured party other than the purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase violates the rights of the secured party.

**Section 9-331. Priority of Rights of Purchasers of Controllable Accounts, Controllable Electronic Records, Controllable Payment Intangibles, Documents, Instruments, and Securities Under Other Articles; Priority of Interests in Financial Assets and Security Entitlements and Protections Against Assertions of Claims Under Articles 8 and 12.**

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

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

 (c) **[Filing not notice.]** Filing under this article does not constitute notice of a claim or defense to the holders, purchasers, or persons described in subsections (a) and (b).

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

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

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

 (c) **[Transferee of funds from deposit account.]** A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account if the transferee receives the funds without acting in collusion with the debtor in violating the rights of the secured party.

\* \* \*

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

\* \* \*

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

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

 (2) the debtor has a right to remove the goods as against the encumbrancer or owner.

 \* \* \*

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

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

(1) the creation, attachment, or perfection of a security interest in the deposit account;

(2) the bank’s knowledge of the security interest; or

(3) the bank’s receipt of instructions from the secured party.

\* \* \*

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

 (a) **[Assignee’s rights subject to terms, claims, and defenses; exceptions.]** Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsections (b) through (e), the rights of an assignee are subject to:

 (1) all terms of the agreement between the account debtor and assignor and any defense or claim in recoupment arising from the transaction that gave rise to the contract; and

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

\* \* \*

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

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

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

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

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

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

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

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

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

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

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

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

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

(d.1) **[“Promissory note” as used in subsection (d).]** As used in subsection (d), the term “promissory note” includes a negotiable instrument that is not an instrument solely because it is a writing that evidences chattel paper.

\* \* \*

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

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

 (i) **[Inapplicability to health-care-insurance receivable.]** This section does not apply to an assignment of a health-care-insurance receivable.

(j) **[Section prevails over specified inconsistent law.]** This section prevails over any

inconsistent provisions of the following statutes, rules, and regulations: [List here any statutes, rules, and regulations containing provisions inconsistent with this section.]

 (k) **[Inapplicability to interests in certain entities.]** Subsections (d), (f), and (j) do not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.

 (l) **[Inapplicability of certain subsections.]** Subsections (a) through (c) and (g) do not apply to a controllable account or controllable payment intangible.

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

\* \* \*

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

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

 (1) the debtor authorizes the filing in a signed record or pursuant to subsection (b) or (c); or

 (2) the person holds an agricultural lien that has become effective at the time of filing and the financing statement covers only collateral in which the person holds an agricultural lien.

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

 (1) the collateral described in the security agreement; and

 (2) property that becomes collateral under Section 9-315(a)(2), whether or

not the security agreement expressly covers proceeds.

 \* \* \*

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

 (a) **[Consumer goods.]** A secured party shall cause the secured party of record for a financing statement to file a termination statement for the financing statement if the financing statement covers consumer goods and:

 (1) there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value; or

 (2) the debtor did not authorize the filing of the initial financing statement.

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

 (1) within one month after there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value; or

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

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

 (1) except in the case of a financing statement covering accounts or chattel paper that has been sold or goods that are the subject of a consignment, there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value;

 (2) the financing statement covers accounts or chattel paper that has been sold but as to which the account debtor or other person obligated has discharged its obligation;

 (3) the financing statement covers goods that were the subject of a consignment to the debtor but are not in the debtor’s possession; or

 (4) the debtor did not authorize the filing of the initial financing statement.

 (d) **[Effect of filing termination statement.]** Except as otherwise provided in Section 9-510, upon the filing of a termination statement with the filing office, the financing statement to which the termination statement relates ceases to be effective. Except as otherwise provided in Section 9-510, for purposes of Sections 9-519(g), 9-522(a), and 9-523(c), the filing with the filing office of a termination statement relating to a financing statement that indicates that the debtor is a transmitting utility also causes the effectiveness of the financing statement to lapse.

\* \* \*

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

\* \* \*

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

\* \* \*

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

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

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

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

 (B) the identity of the person; and

 (C) how to communicate with the person; or

 (2) to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

 (A)that the person is a debtor; and

 (B)the identity of the person.

(b) **[Exception: Secured party owes duty to debtor or obligor.]** A secured party owes a duty based on its status as a secured party to a person that, at the later of the time the secured party obtains control of collateral that is a controllable account, controllable electronic record, or controllable payment intangible or the time the security interest attaches to that collateral, is a debtor or obligor, if at that time the secured party knows that the information specified in subsection (a)(1)(A), (B), or (C) with respect to the person is not provided by the collateral, a record attached to or logically associated with the collateral, or the system in which the collateral is recorded.

\* \* \*

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

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

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

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

 (B)the satisfaction of obligations secured by the security interest or agricultural lien under which the collection or enforcement is made; and

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

\* \* \*

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

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

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

 (2) the debtor and any secondary obligor waive the right to notification.

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

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

 (1) the debtor;

 (2) any secondary obligor; and

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

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

 (B) any other secured party or lienholder that, 10 days before the notification date, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that:

 (i) identified the collateral;

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

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

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

 (d) **[Subsection (b) inapplicable: perishable collateral; recognized market.]** Subsection (b) does not apply if the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

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

 (1) not later than 20 days or earlier than 30 days before the notification date, the secured party requests, in a commercially reasonable manner, information concerning financing statements indexed under the debtor’s name in the office indicated in subsection (c)(3)(B); and (2) before the notification date, the secured party:

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

 (B)received a response to the request for information and sent a signed notification of disposition to each secured party or other lienholder named in that response whose financing statement covered the collateral.

\* \* \*

**Section 9-613. Contents and Form of Notification Before Disposition of Collateral: General.**

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

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

 (A)describes the debtor and the secured party;

 (B)describes the collateral that is the subject of the intended disposition;

 (C)states the method of intended disposition;

 (D)states that the debtor is entitled to an accounting of the unpaid indebtedness and states the charge, if any, for an accounting; and

 (E)states the time and place of a public disposition or the time after which any other disposition is to be made.

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

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

 (A)information not specified by that paragraph; or

 (B)minor errors that are not seriously misleading.

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

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

**NOTIFICATION OF DISPOSITION OF COLLATERAL**

To: (Name of debtor, obligor, or other person to which the notification is sent) From: (Name, address, and telephone number of secured party) Name of Debtor(s): (Include only if debtor(s) are not an addressee) We will sell (or lease or license, as applicable) the (describe collateral) (include, if applicable: to the highest qualified bidder) in public as follows: Day and Date: (day and date) Time: (time) Place: (place)~~2~~

We will sell (or lease or license, as applicable) the (describe collateral) privately sometime after (day and date) .3

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

**[End of Form]**

**Official Comment**

\* \* \*

2. **Contents of Notification.** To comply with the “reasonable signed notification” requirement of Section 9-611(b), the contents of a notification must be reasonable.

\* \* \*

3. **[Style Changes in Form]** The form contained in paragraph (5) of the previous

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

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

text of this section has been simplified. No change in substance is intended by these changes in style.

**Section 9-614. Contents and Form of Notification Before Disposition of Collateral: Consumer-Goods Transaction.**

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

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

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

 (B) a description of any liability for a deficiency of the person to which the notification is sent;

 (C) a telephone number from which the amount that must be paid to the secured party to redeem the collateral under Section 9-623 is available; and

 (D) a telephone number or mailing address from which additional information concerning the disposition and the obligation secured is available.

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

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

information:

**NOTICE OF OUR PLAN TO SELL PROPERTY**

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

Subject: (Identification of Transaction)

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

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

 Date: (date)

 Time: (time)

Place: (place)

You may attend the sale and bring bidders if you want.~~4~~

We will sell (describe collateral) at private sale sometime after (date). A sale could include a

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

lease or license.~~5~~ The money that we get from the sale (after paying our costs) will reduce the amount you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else. You can get the property back at any time before we sell it by paying us the full amount you owe (not just the past due payments), including our expenses. To learn the exact amount you must pay, call us at (telephone number). If you want us to explain to you6 (in writing) (in writing or in an electronic document) (in an electronic document) how we have figured the amount that you owe us, you may call us at (telephone number) (or7 (write us at (secured party’s address)) (description of electronic communication method) ) and request8 (a written explanation) (or) (a written explanation or an explanation in an electronic document) (or) (an explanation in an electronic document). (We will charge you $ (specify amount) for the explanation if we sent you another written explanation of the amount you owe us within the last six months.9)

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

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

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

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

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

If you need more information about the sale call us at (telephone number) (or10 (write us at (secured party’s address) ) (description of electronic communication method) ).

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

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

**[End of Form]**

 **\* \* \* Section 9-615. Application of Proceeds of Disposition; Liability for Deficiency**

**and Right to Surplus.**

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

 (1) the reasonable expenses of retaking, holding, preparing for disposition, processing, and disposing, and, to the extent provided for by agreement and not prohibited by law, reasonable attorney’s fees and legal expenses incurred by the secured party;

 (2) the satisfaction of obligations secured by the security interest or agricultural lien under which the disposition is made;

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

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

 (A)the secured party receives from the holder of the subordinate security interest or other lien a signed demand for proceeds before distribution of the proceeds is completed; and

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

 (4)a secured party that is a consignor of the collateral if the secured party receives from the consignor a signed demand for proceeds before distribution of the proceeds is completed.

\* \* \*

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

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

(1) “Explanation” means a record that:

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

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

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

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

 (2) “Request” means a record:

 (A) signed by a debtor or consumer obligor;

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

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

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

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

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

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

 (2) in the case of a consumer obligor who is liable for a deficiency, within 14 days after receipt of a request, send to the consumer obligor a record waiving the secured party’s right to a deficiency.

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

 (1) the aggregate amount of obligations secured by the security interest under which the disposition was made, and, if the amount reflects a rebate of unearned interest or credit service charge, an indication of that fact, calculated as of a specified date:

 (A) if the secured party takes or receives possession of the collateral after default, not more than 35 days before the secured party takes or receives possession; or

 (B) if the secured party takes or receives possession of the collateral before default or does not take possession of the collateral, not more than 35 days before the disposition;

 (2) the amount of proceeds of the disposition;

 (3) the aggregate amount of the obligations after deducting the amount of proceeds;

 (4) the amount, in the aggregate or by type, and types of expenses, including expenses of retaking, holding, preparing for disposition, processing, and disposing of the collateral, and attorney’s fees secured by the collateral which are known to the secured party and relate to the current disposition;

 (5) the amount, in the aggregate or by type, and types of credits, including rebates of interest or credit service charges, to which the obligor is known to be entitled and which are not reflected in the amount in paragraph (1); and

(6) the amount of the surplus or deficiency.

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

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

 (1) that the debtor has defaulted in connection with an obligation secured by specified collateral;

 (2) that the secured party has exercised its post-default remedies with respect to the collateral;

 (3) that, by reason of the exercise, a transferee has acquired the rights of the debtor in the collateral; and

 (4) the name and mailing address of the secured party, debtor, and transferee.

 \* \* \*

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

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

 (1) the debtor consents to the acceptance under subsection (c);

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

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

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

 (3) if the collateral is consumer goods, the collateral is not in the possession of the debtor when the debtor consents to the acceptance; and

 (4) subsection (e) does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to Section 9-624.

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

 (1) the secured party consents to the acceptance in a signed record or sends a proposal to the debtor; and

 (2) the conditions of subsection (a) are met.

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

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

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

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

 (B)in the proposal, proposes to accept collateral in full satisfaction of the obligation it secures; and

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

\* \* \*

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

 (1) within 90 days after taking possession; or

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

\* \* \*

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

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

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

 (2) any other secured party or lienholder that, 10 days before the debtor consented to the acceptance, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that:

 (A) identified the collateral;

 (B) was indexed under the debtor’s name as of that date; and

 (C) was filed in the office or offices in which to file a financing statement against the debtor covering the collateral as of that date; and

 (3) any other secured party that, 10 days before the debtor consented to the acceptance, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in Section 9-311(a).

\* \* \*

**Section 9-624. Waiver.**

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

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

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

\* \* \*

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

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

 (1) the secured party is not liable to the person, or to a secured party or lienholder that has filed a financing statement against the person, for failure to comply with this article; and

 (2) the secured party’s failure to comply with this article does not affect the liability of the person for a deficiency.

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

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

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

 (B) the identity of the person; and

 (C) how to communicate with the person; or

 (2) 745to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

 (A) that the person is a debtor; and

 (B) the identity of the person.

\* \* \*

 (f) **[Exception: Limitations of liability under subsections (a) and (b) do not apply.]** Subsections (a) and (b) do not apply to limit the liability of a secured party to a person that, at the later of the time the secured party obtains control of collateral that is a controllable account, controllable electronic record, or controllable payment intangible or the time the security interest attaches to that collateral, is a debtor or obligor, if at that time the secured party knows that the information specified in subsection (b)(1)(A), (B), or (C) is not provided by the collateral, a record attached to or logically associated with the collateral, or the system in which the collateral is recorded.

\* \* \*

**ARTICLE 12**

**CONTROLLABLE ELECTRONIC RECORDS**

 **Section 12-101. Title.**

This article may be cited as Uniform Commercial Code—Controllable Electronic Records.

**Section 12-102. Definitions.**

(a) **[Article 12 definitions.]** In this article:

(1) “Controllable electronic record” means a record stored in an electronic medium that can be subjected to control under Section 12-105. The term does not include a controllable account, a controllable payment intangible, a deposit account, an electronic copy of a record evidencing chattel paper, an electronic document of title, electronic money, investment property, or a transferable record.

(2) “Qualifying purchaser” means a purchaser of a controllable electronic record or an interest in the controllable electronic record that obtains control of the controllable electronic record for value, in good faith, and without notice of a claim of a property right in the controllable electronic record.

(3) “Transferable record” has the meaning provided for that term in either:

(A) the Electronic Signatures in Global and National Commerce Act, 15

U.S.C. Section 7021(a)(1) [as amended]; or

(B) [cite to Uniform Electronic Transactions Act Section 16(a)].

 (4) “Value” has the meaning provided in Section 3-303(a), as if references in that subsection to an “instrument” were references to a controllable account, controllable electronic record, or controllable payment intangible.

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

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

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

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

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

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

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

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

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

 (b) **[Control of controllable account and controllable payment intangible.]** For the purpose of determining whether a purchaser of a controllable account or a controllable payment intangible is a qualifying purchaser, the purchaser obtains control of the account or payment intangible if it obtains control of the controllable electronic record that evidences the account or payment intangible.

 (c) **[Applicability of other law to acquisition of rights.]** Except as provided in this section, law other than this article determines whether a person acquires a right in a controllable electronic record and the right the person acquires.

 (d) **[Shelter principle and purchase of limited interest.]** A purchaser of a controllable electronic record acquires all rights in the controllable electronic record that the transferor had or had power to transfer, except that a purchaser of a limited interest in a controllable electronic record acquires rights only to the extent of the interest purchased.

 (e) **[Rights of qualifying purchaser.]** A qualifying purchaser acquires its rights in the controllable electronic record free of a claim of a property right in the controllable electronic record.

 (f) **[Limitation of rights of qualifying purchaser in other property.]** Except as provided in subsections (a) and (e) for controllable accounts and controllable payment intangibles or law other than this article, a qualifying purchaser takes a right to payment, right to performance, or other interest in property evidenced by the controllable electronic record subject to a claim of a property right in the right to payment, right to performance, or other interest in property.

 (g) **[No-action protection for qualifying purchaser.]** An action may not be asserted against a qualifying purchaser based on both a purchase by the qualifying purchaser of a controllable electronic record and a claim of a property right in another controllable electronic record, whether the action is framed in conversion, replevin, constructive trust, equitable lien, or other theory.

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

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

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

(1) gives the person:

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

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

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

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

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

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

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

 (2) the power is shared with another person.

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

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

 (2) the other person either:

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

 (B) is the transferor to the person of an interest in the controllable electronic record or a controllable account or controllable payment intangible evidenced by the controllable electronic record.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

 (A) divide a payment;

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

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

 (e) **[Proof of transfer of control.]** Subject to subsection (h), if requested by the account debtor, the person giving the notification under subsection (b) seasonably shall furnish reasonable proof, using the agreed method, that control of the controllable electronic record has been transferred. Unless the person complies with the request, the account debtor may discharge its obligation by paying a person that formerly had control, even if the account debtor has

received a notification under subsection (b).

 (f) **[What constitutes reasonable proof.]** A person furnishes reasonable proof that control has been transferred if the person demonstrates, using the agreed method, that the transferee has the power to:

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

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

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

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

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

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

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

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

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

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

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

 (4) If paragraphs (1) through (3) do not apply and the rules of the system in which the controllable electronic record is recorded are readily available for review and expressly provide that the controllable electronic record or the system is governed by the law of a particular jurisdiction, that jurisdiction is the controllable electronic record’s jurisdiction.

 (5) If paragraphs (1) through (4) do not apply, the controllable electronic record’s jurisdiction is the District of Columbia.

 (d) **[Applicability of Article 12.]** If subsection (c)(5) applies and Article 12 is not in effect in the District of Columbia without material modification, the governing law for a matter covered by this article is the law of the District of Columbia as though Article 12 were in effect in the District of Columbia without material modification. In this subsection, “Article 12” means [Uniform Commercial Code—Controllable Electronic Records (with Conforming Amendments to Articles 1 and 9), 2022 Official Text], which is available at [indicate where and how the official text may be found].

 (e) **[Relation of transaction to controllable electronic record’s jurisdiction not necessary.]** To the extent subsections (a) and (b) provide that the local law of the controllable electronic record’s jurisdiction governs matters covered by this article, that law governs even if a matter or transaction does not bear any relation to the controllable electronic record’s jurisdiction.

(f) **[Rights of purchasers determined at time of purchase.]** The rights acquired by a purchaser or a qualifying purchaser under Section 12-104 are governed by the law applicable under this section at the time of purchase.

***Legislative Note:*** *The definition of “Article 12” in subsection (d) should cite the official “title” of the official text of Article 12 and should indicate where and how the official text is made available to the public. See, e.g., TRADES Regulations, 31 CFR 357.2, defining “Revised Article 8.”*

**ANNEX A**

**TRANSITION PROVISIONS FOR 2022 AMENDMENTS**

 **TO UNIFORM COMMERCIAL CODE—EMERGING TECHNOLOGIES**

***Legislative Note:***

*A state should insert in each place where “[the effective date of this act]” appears in the text of this Annex, the actual date on which this act takes effect, as specified in Section 4-101. A state should insert in each place where “[the adjustment date]” appears in the text of the statute, either (i) “[January] [July] 1, 2025” or, (ii) if later, the date that is one year after the actual date on which this act takes effect.*

*A state should codify Parts 1 through 3 of this annex as a part of the state’s [Uniform Commercial Code].*

*A state (i) should insert in Part 4 (Section 4-101) of this Annex the actual date on which this act takes effect and (ii) should not codify Part 4.*

**PART 1**

**GENERAL PROVISIONS AND DEFINITIONS**

 **Section A-101. Short Title.**

This Annex may be cited as Uniform Commercial Code—Transition Provisions for 2022 Amendments to Uniform Commercial Code—Emerging Technologies.

**Section A-102. Definitions.**

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

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

(2) “Article 12 property” means a controllable account, a controllable electronic record, and a controllable payment intangible**.**

(b) **[Definitions in other articles.]** The following definitions in [the Uniform

Commercial Code] apply to this annex. “Controllable account”. Section 9-102 “Controllable electronic record”. Section 12-102 “Controllable payment intangible”. Section 9-102 “Electronic money”. Section 9-102. “Financing statement”. Section 9-102.

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

**Official Comment**

**Subsection headings.** Subsection headings are not a part of the official text itself and have not been approved by the sponsors.

**PART 2**

**GENERAL TRANSITION PROVISION**

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

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

**PART 3**

**TRANSITION PROVISIONS FOR ARTICLES 9 AND 12**

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

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

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

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

(2) the transaction, lien, or interest in property may be terminated, completed, consummated, and enforced as required or permitted by this act or by the law that would apply if this act had not taken effect.

(c) **[Pre-effective-date proceedings.]** This act does not affect an action, case, or

proceeding commenced before [**the effective date of** this act].

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

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

 (b) **[Continuing perfection: perfection requirements not satisfied.]** If, immediately before **[the effective date of this act]**, a security interest is enforceable and perfected, but the applicable requirements for enforceability or perfection under this act, are not satisfied on **[the effective date of this act]**, the security interest:

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

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

 (3) remains perfected thereafter only if the applicable requirements for perfection under this act are satisfied before the [the adjustment date].

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

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

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

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

 (3) becomes perfected:

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

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

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

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

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

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

 **Section A-305. Priority.**

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

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

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

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

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

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

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

**PART 4**

**GENERAL PROVISIONS**

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

This act takes effect on **[the effective date of this act]**.

***Legislative Note:*** *This [part] [section] is not to be codified as a part of [the Uniform Commercial Code.*