

**UNIFORM COMMERCIAL CODE - ARTICLE 9
- SECURED TRANSACTIONS**

2000 GENERAL SESSION

STATE OF UTAH

Sponsor: Lyle W. Hillyard

AN ACT RELATING TO THE UNIFORM COMMERCIAL CODE; REPEALING THE FORMER CHAPTER 9; ADOPTING THE NEW UNIFORM ARTICLE 9 WITH CHANGES; INCLUDING GENERAL PROVISIONS; ADDRESSING EFFECTIVENESS OF SECURITY AGREEMENTS; ADDRESSING ATTACHMENT OF SECURITY INTERESTS; ADDRESSING RIGHTS OF PARTIES TO SECURITY AGREEMENTS; ADDRESSING PERFECTION AND PRIORITY; ADDRESSING RIGHTS OF THIRD PARTIES; ADDRESSING FILING; ADDRESSING DEFAULT; ADDRESSING THE TRANSITION FROM THE OLD TO THE NEW LAW; MAKING TECHNICAL CHANGES; AND PROVIDING AN EFFECTIVE DATE.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

15-4-6.5, as enacted by Chapter 257, Laws of Utah 1991

25-6-9, as enacted by Chapter 59, Laws of Utah 1988

31A-22-419, as last amended by Chapter 204, Laws of Utah 1986

38-7-2.5, as enacted by Chapter 167, Laws of Utah 1996

38-8-2, as last amended by Chapter 66, Laws of Utah 1984

38-12-102, as enacted by Chapter 323, Laws of Utah 1995

38-12-103, as enacted by Chapter 323, Laws of Utah 1995

41-1a-223, as renumbered and amended by Chapter 1, Laws of Utah 1992

41-1a-601, as renumbered and amended by Chapter 1, Laws of Utah 1992

41-1a-606, as renumbered and amended by Chapter 1, Laws of Utah 1992

57-3-102, as renumbered and amended by Chapter 61 and last amended by Chapter 85,
Laws of Utah 1998

57-16-9, as enacted by Chapter 178, Laws of Utah 1981

58-37-13, as last amended by Chapters 198 and 294, Laws of Utah 1996
70A-1-105, as last amended by Chapter 241, Laws of Utah 1997
70A-1-201, as last amended by Chapter 13, Laws of Utah 1998
70A-1-206, as last amended by Chapter 204, Laws of Utah 1996
70A-2-103, as last amended by Chapter 10, Laws of Utah 1997
70A-2-210, as enacted by Chapter 154, Laws of Utah 1965
70A-2-326, as enacted by Chapter 154, Laws of Utah 1965
70A-2-502, as enacted by Chapter 154, Laws of Utah 1965
70A-2-716, as enacted by Chapter 154, Laws of Utah 1965
70A-2a-103, as last amended by Chapter 237, Laws of Utah 1993
70A-2a-303, as last amended by Chapter 237, Laws of Utah 1993
70A-2a-307, as last amended by Chapter 237, Laws of Utah 1993
70A-2a-309, as last amended by Chapter 237, Laws of Utah 1993
70A-3-605, as repealed and reenacted by Chapter 237, Laws of Utah 1993
70A-4-210, as repealed and reenacted by Chapter 237, Laws of Utah 1993
70A-5-114, as repealed and reenacted by Chapter 241, Laws of Utah 1997
70A-7-503, as enacted by Chapter 154, Laws of Utah 1965
70A-8-102, as repealed and reenacted by Chapter 204, Laws of Utah 1996
70A-8-105, as repealed and reenacted by Chapter 204, Laws of Utah 1996
70A-8-109, as enacted by Chapter 204, Laws of Utah 1996
70A-8-301, as repealed and reenacted by Chapter 204, Laws of Utah 1996
70A-8-302, as repealed and reenacted by Chapter 204, Laws of Utah 1996
70A-8-510, as enacted by Chapter 204, Laws of Utah 1996

ENACTS:

57-3-108, Utah Code Annotated 1953
70A-5-120, Utah Code Annotated 1953
70A-9a-101, Utah Code Annotated 1953
70A-9a-102, Utah Code Annotated 1953

70A-9a-102.1, Utah Code Annotated 1953
70A-9a-103, Utah Code Annotated 1953
70A-9a-104, Utah Code Annotated 1953
70A-9a-105, Utah Code Annotated 1953
70A-9a-106, Utah Code Annotated 1953
70A-9a-107, Utah Code Annotated 1953
70A-9a-108, Utah Code Annotated 1953
70A-9a-109, Utah Code Annotated 1953
70A-9a-110, Utah Code Annotated 1953
70A-9a-201, Utah Code Annotated 1953
70A-9a-202, Utah Code Annotated 1953
70A-9a-203, Utah Code Annotated 1953
70A-9a-204, Utah Code Annotated 1953
70A-9a-205, Utah Code Annotated 1953
70A-9a-206, Utah Code Annotated 1953
70A-9a-207, Utah Code Annotated 1953
70A-9a-208, Utah Code Annotated 1953
70A-9a-209, Utah Code Annotated 1953
70A-9a-210, Utah Code Annotated 1953
70A-9a-301, Utah Code Annotated 1953
70A-9a-302, Utah Code Annotated 1953
70A-9a-303, Utah Code Annotated 1953
70A-9a-304, Utah Code Annotated 1953
70A-9a-305, Utah Code Annotated 1953
70A-9a-306, Utah Code Annotated 1953
70A-9a-307, Utah Code Annotated 1953
70A-9a-308, Utah Code Annotated 1953
70A-9a-309, Utah Code Annotated 1953

- 70A-9a-310, Utah Code Annotated 1953
- 70A-9a-311, Utah Code Annotated 1953
- 70A-9a-312, Utah Code Annotated 1953
- 70A-9a-313, Utah Code Annotated 1953
- 70A-9a-314, Utah Code Annotated 1953
- 70A-9a-315, Utah Code Annotated 1953
- 70A-9a-316, Utah Code Annotated 1953
- 70A-9a-317, Utah Code Annotated 1953
- 70A-9a-318, Utah Code Annotated 1953
- 70A-9a-319, Utah Code Annotated 1953
- 70A-9a-320, Utah Code Annotated 1953
- 70A-9a-321, Utah Code Annotated 1953
- 70A-9a-322, Utah Code Annotated 1953
- 70A-9a-323, Utah Code Annotated 1953
- 70A-9a-324, Utah Code Annotated 1953
- 70A-9a-325, Utah Code Annotated 1953
- 70A-9a-326, Utah Code Annotated 1953
- 70A-9a-327, Utah Code Annotated 1953
- 70A-9a-328, Utah Code Annotated 1953
- 70A-9a-329, Utah Code Annotated 1953
- 70A-9a-330, Utah Code Annotated 1953
- 70A-9a-331, Utah Code Annotated 1953
- 70A-9a-332, Utah Code Annotated 1953
- 70A-9a-333, Utah Code Annotated 1953
- 70A-9a-334, Utah Code Annotated 1953
- 70A-9a-335, Utah Code Annotated 1953
- 70A-9a-336, Utah Code Annotated 1953
- 70A-9a-337, Utah Code Annotated 1953

70A-9a-338, Utah Code Annotated 1953
70A-9a-339, Utah Code Annotated 1953
70A-9a-340, Utah Code Annotated 1953
70A-9a-341, Utah Code Annotated 1953
70A-9a-342, Utah Code Annotated 1953
70A-9a-401, Utah Code Annotated 1953
70A-9a-402, Utah Code Annotated 1953
70A-9a-403, Utah Code Annotated 1953
70A-9a-404, Utah Code Annotated 1953
70A-9a-405, Utah Code Annotated 1953
70A-9a-406, Utah Code Annotated 1953
70A-9a-407, Utah Code Annotated 1953
70A-9a-408, Utah Code Annotated 1953
70A-9a-409, Utah Code Annotated 1953
70A-9a-501, Utah Code Annotated 1953
70A-9a-502, Utah Code Annotated 1953
70A-9a-503, Utah Code Annotated 1953
70A-9a-504, Utah Code Annotated 1953
70A-9a-505, Utah Code Annotated 1953
70A-9a-506, Utah Code Annotated 1953
70A-9a-507, Utah Code Annotated 1953
70A-9a-508, Utah Code Annotated 1953
70A-9a-509, Utah Code Annotated 1953
70A-9a-510, Utah Code Annotated 1953
70A-9a-511, Utah Code Annotated 1953
70A-9a-512, Utah Code Annotated 1953
70A-9a-513, Utah Code Annotated 1953
70A-9a-514, Utah Code Annotated 1953

- 70A-9a-515, Utah Code Annotated 1953
- 70A-9a-516, Utah Code Annotated 1953
- 70A-9a-517, Utah Code Annotated 1953
- 70A-9a-518, Utah Code Annotated 1953
- 70A-9a-519, Utah Code Annotated 1953
- 70A-9a-520, Utah Code Annotated 1953
- 70A-9a-521, Utah Code Annotated 1953
- 70A-9a-522, Utah Code Annotated 1953
- 70A-9a-523, Utah Code Annotated 1953
- 70A-9a-524, Utah Code Annotated 1953
- 70A-9a-525, Utah Code Annotated 1953
- 70A-9a-526, Utah Code Annotated 1953
- 70A-9a-527, Utah Code Annotated 1953
- 70A-9a-601, Utah Code Annotated 1953
- 70A-9a-602, Utah Code Annotated 1953
- 70A-9a-603, Utah Code Annotated 1953
- 70A-9a-604, Utah Code Annotated 1953
- 70A-9a-605, Utah Code Annotated 1953
- 70A-9a-606, Utah Code Annotated 1953
- 70A-9a-607, Utah Code Annotated 1953
- 70A-9a-608, Utah Code Annotated 1953
- 70A-9a-609, Utah Code Annotated 1953
- 70A-9a-610, Utah Code Annotated 1953
- 70A-9a-611, Utah Code Annotated 1953
- 70A-9a-612, Utah Code Annotated 1953
- 70A-9a-613, Utah Code Annotated 1953
- 70A-9a-614, Utah Code Annotated 1953
- 70A-9a-615, Utah Code Annotated 1953

70A-9a-616, Utah Code Annotated 1953
70A-9a-617, Utah Code Annotated 1953
70A-9a-618, Utah Code Annotated 1953
70A-9a-619, Utah Code Annotated 1953
70A-9a-620, Utah Code Annotated 1953
70A-9a-621, Utah Code Annotated 1953
70A-9a-622, Utah Code Annotated 1953
70A-9a-623, Utah Code Annotated 1953
70A-9a-624, Utah Code Annotated 1953
70A-9a-625, Utah Code Annotated 1953
70A-9a-626, Utah Code Annotated 1953
70A-9a-627, Utah Code Annotated 1953
70A-9a-628, Utah Code Annotated 1953
70A-9a-701, Utah Code Annotated 1953
70A-9a-702, Utah Code Annotated 1953
70A-9a-703, Utah Code Annotated 1953
70A-9a-704, Utah Code Annotated 1953
70A-9a-705, Utah Code Annotated 1953
70A-9a-706, Utah Code Annotated 1953
70A-9a-707, Utah Code Annotated 1953
70A-9a-708, Utah Code Annotated 1953
70A-9a-709, Utah Code Annotated 1953

REPEALS AND REENACTS:

70A-5-118, as enacted by Chapter 241, Laws of Utah 1997

70A-5-119, as enacted by Chapter 241, Laws of Utah 1997

REPEALS:

70A-9-101, as enacted by Chapter 154, Laws of Utah 1965

70A-9-102, as last amended by Chapter 172, Laws of Utah 1996

70A-9-103, as last amended by Chapter 241, Laws of Utah 1997
70A-9-104, as last amended by Chapter 241, Laws of Utah 1997
70A-9-105, as last amended by Chapter 241, Laws of Utah 1997
70A-9-106, as last amended by Chapter 241, Laws of Utah 1997
70A-9-107, as enacted by Chapter 154, Laws of Utah 1965
70A-9-108, as enacted by Chapter 154, Laws of Utah 1965
70A-9-109, as enacted by Chapter 154, Laws of Utah 1965
70A-9-110, as enacted by Chapter 154, Laws of Utah 1965
70A-9-112, as enacted by Chapter 154, Laws of Utah 1965
70A-9-113, as last amended by Chapter 5, Laws of Utah 1991
70A-9-114, as enacted by Chapter 272, Laws of Utah 1977
70A-9-115, as enacted by Chapter 204, Laws of Utah 1996
70A-9-116, as enacted by Chapter 204, Laws of Utah 1996
70A-9-201, as enacted by Chapter 154, Laws of Utah 1965
70A-9-202, as enacted by Chapter 154, Laws of Utah 1965
70A-9-203, as last amended by Chapter 204, Laws of Utah 1996
70A-9-204, as enacted by Chapter 272, Laws of Utah 1977
70A-9-205, as last amended by Chapter 272, Laws of Utah 1977
70A-9-206, as enacted by Chapter 154, Laws of Utah 1965
70A-9-207, as enacted by Chapter 154, Laws of Utah 1965
70A-9-208, as enacted by Chapter 154, Laws of Utah 1965
70A-9-301, as last amended by Chapter 204, Laws of Utah 1996
70A-9-302, as last amended by Chapter 204, Laws of Utah 1996
70A-9-303, as last amended by Chapter 204, Laws of Utah 1996
70A-9-304, as last amended by Chapter 241, Laws of Utah 1997
70A-9-305, as last amended by Chapter 241, Laws of Utah 1997
70A-9-306, as last amended by Chapter 204, Laws of Utah 1996
70A-9-307, as last amended by Chapter 114, Laws of Utah 1986

70A-9-308, as enacted by Chapter 272, Laws of Utah 1977
70A-9-309, as last amended by Chapter 204, Laws of Utah 1996
70A-9-310, as enacted by Chapter 154, Laws of Utah 1965
70A-9-311, as enacted by Chapter 154, Laws of Utah 1965
70A-9-312, as last amended by Chapter 204, Laws of Utah 1996
70A-9-313, as last amended by Chapter 5, Laws of Utah 1991
70A-9-314, as enacted by Chapter 154, Laws of Utah 1965
70A-9-315, as enacted by Chapter 154, Laws of Utah 1965
70A-9-316, as enacted by Chapter 154, Laws of Utah 1965
70A-9-317, as enacted by Chapter 154, Laws of Utah 1965
70A-9-318, as last amended by Chapter 197, Laws of Utah 1990
70A-9-400, as last amended by Chapter 92, Laws of Utah 1987
70A-9-401, as last amended by Chapter 66, Laws of Utah 1984
70A-9-402, as last amended by Chapter 232, Laws of Utah 1999
70A-9-403, as last amended by Chapter 172, Laws of Utah 1996
70A-9-404, as last amended by Chapter 147, Laws of Utah 1994
70A-9-405, as last amended by Chapter 313, Laws of Utah 1994
70A-9-406, as last amended by Chapter 313, Laws of Utah 1994
70A-9-407, as last amended by Chapter 313, Laws of Utah 1994
70A-9-408, as last amended by Chapter 272, Laws of Utah 1977
70A-9-409, as last amended by Chapter 178, Laws of Utah 1985
70A-9-501, as last amended by Chapter 272, Laws of Utah 1977
70A-9-502, as last amended by Chapter 272, Laws of Utah 1977
70A-9-503, as enacted by Chapter 154, Laws of Utah 1965
70A-9-504, as last amended by Chapter 272, Laws of Utah 1977
70A-9-505, as last amended by Chapter 272, Laws of Utah 1977
70A-9-506, as enacted by Chapter 154, Laws of Utah 1965
70A-9-507, as enacted by Chapter 154, Laws of Utah 1965

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **15-4-6.5** is amended to read:

15-4-6.5. Divorce or separate maintenance of co-obligors.

(1) On the entering of a decree of divorce or separate maintenance of joint debtors in contract, the claim of a creditor remains unchanged unless otherwise provided by the contract or until a new contract is entered into between the creditor and the debtors individually.

(2) In addition to ~~[his]~~ the creditor's duties as a secured party under ~~[Section 70A-9-112]~~ Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, and ~~[his]~~ the creditor's duties as a trustee or beneficiary of a trust deed under Title 57, Chapter 1, Conveyances, a creditor, who has been notified by service of a copy of a court order under ~~[Sections]~~ Section 30-3-5 or 30-4-3 that the debtors are divorced or living separately under an order for separate maintenance, and who has been expressly advised of the separate, current addresses of the debtors either by the court order or by other written notice, shall provide to the debtors individually all statements, notices, and other similar correspondence required by law or by the contract.

(3) (a) Except as provided in Subsection (3)(b), a creditor may continue to make negative credit reports of joint debtors under Section 70C-7-107 and may report the repayment practices or credit history of joint debtors under Title 7, Chapter 14, Credit Information Exchange.

(b) With respect to a debtor who is not ordered by the court under Sections 30-3-5 or 30-4-3 to make payments on a joint obligation, no negative credit report under Section 70C-7-107, and no report of the debtor's repayment practices or credit history under Title 7, Chapter 14, Credit Information Exchange, may be made regarding the joint obligation after the creditor is served notice of the court's order as required under Subsection (2), unless the creditor has made a demand on the debtor for payment because of the failure to make payments by the other debtor, who is ordered by the court to make the payments.

Section 2. Section **25-6-9** is amended to read:

25-6-9. Good faith transfer.

(1) A transfer or obligation is not voidable under Subsection 25-6-5 (1)(a) against a person who took in good faith and for a reasonably equivalent value or against any subsequent transferee or

obligee.

(2) Except as otherwise provided in this section, to the extent a transfer is voidable in an action by a creditor under Subsection 25-6-8 (1)(a), the creditor may recover judgment for the value of the asset transferred, as adjusted under Subsection (3), or the amount necessary to satisfy the creditor's claim, whichever is less. The judgment may be entered against:

- (a) the first transferee of the asset or the person for whose benefit the transfer was made; or
- (b) any subsequent transferee other than a good faith transferee who took for value or from any subsequent transferee.

(3) If the judgment under Subsection (2) is based upon the value of the asset transferred, the judgment must be for an amount equal to the value of the asset at the time of the transfer, subject to an adjustment as equities may require.

(4) Notwithstanding voidability of a transfer or an obligation under this chapter, a good-faith transferee or obligee is entitled, to the extent of the value given the debtor for the transfer or obligation, to:

- (a) a lien on or a right to retain any interest in the asset transferred;
- (b) enforcement of any obligation incurred; or
- (c) a reduction in the amount of the liability on the judgment.

(5) A transfer is not voidable under Subsection 25-6-5 (1)(b) or Section 25-6-6 if the transfer results from:

(a) termination of a lease upon default by the debtor when the termination is pursuant to the lease and applicable law; or

(b) enforcement of a security interest in compliance with Title 70A, Chapter 9a, ~~[the]~~
Uniform Commercial Code -- Secured Transactions.

(6) A transfer is not voidable under Subsection 25-6-6 (2):

(a) to the extent the insider gave new value to or for the benefit of the debtor after the transfer was made unless the new value was secured by a valid lien;

(b) if made in the ordinary course of business or financial affairs of the debtor and the insider;

or

(c) if made pursuant to a good-faith effort to rehabilitate the debtor and the transfer secured present value given for that purpose as well as an antecedent debt of the debtor.

Section 3. Section **31A-22-419** is amended to read:

31A-22-419. Insurer's purchase of and loans on policies.

Any life insurer may purchase for its own benefit any policy of insurance or other obligation of the company and any claim of its policyholders. The insurer may also lend to the holders of policies of the company a sum which does not exceed the sum of the cash value of the policies and the surplus or dividend additions to the policies. The policies and all additions to them shall be security for payment of the loan. An insurer's security interest in a policy under this section need not be filed under Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, to be perfected.

Section 4. Section **38-7-2.5** is amended to read:

38-7-2.5. Failure to notify -- Effect -- Penalty.

(1) (a) A person who fails to meet the notice requirements of Subsections 38-7-2(1) and (2) is precluded from receiving an award of costs and attorneys' fees from the person against whom a notice of lien has been filed in an action to enforce the lien if costs and attorneys' fees are authorized by contract or statute.

(b) Subsection (1)(a) does not create a right to costs and attorneys' fees.

(2) In addition to the penalties provided in Subsection (1)(a), a lien claimant who, within 20 days from the date of receiving notice of noncompliance with the notice requirements of Subsection 38-7-2(1) or (2), willfully refuses to release the notice of lien or record the lien in compliance with Section 38-7-2 is liable to the person against whom the notice of lien was filed for \$1,000 or for treble damages, whichever is greater.

(3) Failure to meet the notice requirements of Subsections 38-7-2(1) and (2) does not:

(a) invalidate any lien arising at common law or in equity or by any statute of this state; or

(b) affect the rules of priority provided in Title 70A, Chapter 9a, ~~[Part 3]~~ Uniform

Commercial Code -- Secured Transactions.

Section 5. Section **38-8-2** is amended to read:

38-8-2. Lien against stored property -- Attachment and duration -- Search for financing statement prerequisite to enforcement of lien.

(1) Where a rental agreement, as defined in Subsection 38-8-1(6), is entered into between the owner and the occupant, the owner of the self-service storage facility and ~~his~~ the owner's heirs, executors, administrators, successors, and assigns have a lien upon all personal property located at the self-service storage facility for rent, labor, or other charges, present or future, in relation to the personal property and for expenses necessary for its preservation or expenses reasonably incurred in its sale or other disposition under this chapter.

(2) The lien described in Subsection (1) attaches as of the date the personal property is brought to the self-service storage facility and continues so long as the owner retains possession and until any default is corrected, or a sale pursuant to a default is conducted, or the property is otherwise disposed of to satisfy the lien.

(3) (a) Before taking enforcement action under Section 38-8-3, the owner shall determine if a financing statement filed in accordance with ~~[Section 70A-9-401, et seq.]~~ Title 70A, Chapter 9a, Part 5, Filing, has been filed with the Division of Corporations and Commercial Code concerning the property to be sold or otherwise disposed of.

(b) A security interest evidenced by a financing statement filed in accordance with Title 70A, Chapter 9a, Part 5, Filing, has priority over the lien provided by this section.

Section 6. Section **38-12-102** is amended to read:

38-12-102. Notice requirements for lien filings -- Exceptions.

(1) No later than 30 days after the day on which a lien claimant or the lien claimant's authorized agent files for recordation a notice of lien meeting the requirements of Subsection (2) with a county recorder, county clerk, or clerk of the court, a lien claimant or the lien claimant's agent shall send by certified mail a written copy of the notice of lien to the last-known address of the person against whom the notice of lien is filed.

(2) The notice of lien shall contain the following information:

(a) the name and address of the person against whom the lien is filed;

(b) (i) a statement that certain property owned by the person against whom the lien is filed

is subject to a lien;

(ii) the amount of the judgment, settlement, or compromise if the lien is based on a charge against or interest in a judgment, settlement, or compromise; or

(iii) the amount of state taxes owed;

(c) the article number contained on the certified mail receipt;

(d) the date the notice of lien was filed; and

(e) the name and address of the lien claimant.

(3) The notice requirements of Subsections (1) and (2) do not apply to a:

(a) mechanics' lien as provided in Title 38, Chapter 1, Mechanics' Liens;

(b) lessors' lien as provided in Title 38, Chapter 3, Lessors' Liens;

(c) federal tax lien as provided in Title 38, Chapter 6, Federal Tax Liens;

(d) hospital lien as provided in Title 38, Chapter 7, Hospital Lien Law;

(e) self-service storage facilities lien as provided in Title 38, Chapter 8, Self-Service Storage Facilities;

(f) oil, gas, or mining lien as provided in Title 38, Chapter 10, Oil, Gas, and Mining Liens;

(g) claim against the Residence Lien Recovery Fund as provided in Title 38, Chapter 11, Residence Lien Restriction and Lien Recovery Fund Act;

(h) trust deed;

(i) mortgage;

(j) interests subject to a security agreement as defined in [~~Subsection 70A-9-105(f)~~] Section 70A-9a-102; or

(k) other liens subject to the same or stricter notice requirements than those imposed by Subsections (1) and (2).

Section 7. Section **38-12-103** is amended to read:

38-12-103. Failure to notify -- Effect -- Penalty.

(1) (a) A person who fails to meet the notice requirements of Subsections 38-12-102(1) and (2) is precluded from receiving an award of costs and attorneys' fees from the person against whom a notice of lien has been filed in an action to enforce the lien if costs and attorneys' fees are authorized

by contract or statute.

(b) Subsection (1)(a) does not create a right to costs and attorneys' fees.

(2) In addition to the penalties provided in Subsection (1)(a), a lien claimant who, within 20 days from the date of receiving notice of noncompliance with the notice requirements of Subsection 38-12-102(1) or (2), willfully refuses to release the notice of lien or record the lien in compliance with Section 38-12-102 is liable to the person against whom the notice of lien was filed for \$1,000 or for treble damages, whichever is greater.

(3) Failure to meet the notice requirements of Subsections 38-12-102(1) and (2) does not:

(a) invalidate any lien arising at common law or in equity or by any statute of this state; or

(b) affect the rules of priority provided in Title 70A, Chapter 9a, ~~[Part 3]~~ Uniform

Commercial Code -- Secured Transactions.

Section 8. Section **41-1a-223** is amended to read:

41-1a-223. Registration without Utah title.

(1) (a) If the owner of a vehicle operating interstate and registered in another state desires to retain registration of the vehicle in the other state, the applicant need not surrender but shall submit for inspection evidences of out-of-state registration.

(b) The division upon a proper showing shall register the vehicle in this state.

(2) (a) If a person is relocating from another jurisdiction and establishing residence in this state, whether temporary or permanent, and that person has a vehicle registered and titled in another jurisdiction and is not able to surrender title to the vehicle being registered in Utah because title is physically held by a lienholder, the division may register the vehicle without issuing a Utah title.

(b) Notwithstanding ~~[the provisions of]~~ Section ~~[70A-9-103]~~ 70A-9a-316, the registration of a vehicle under this section does not alter or affect the rights or security interest of any lienholder in another jurisdiction.

Section 9. Section **41-1a-601** is amended to read:

41-1a-601. Lien validity -- Security interest.

(1) Except as provided under Subsection (2), a lien upon a vehicle, vessel, or outboard motor, except a lien dependent upon possession, is not valid against the creditors of an owner

acquiring a lien by levy or attachment, or subsequent purchasers, or encumbrancers without notice until Sections 41-1a-602 through 41-1a-606 have been complied with.

(2) Security interests in inventory consisting in part of vehicles subject to registration under this chapter, that are held for sale by a person in the business of selling goods of that kind, shall be perfected under Section [~~70A-9-302~~] 70A-9a-310, except that buyers in the ordinary course of business, as defined in Section 70A-1-201, take free of the security interests as provided in Section [~~70A-9-307~~] 70A-9a-320.

Section 10. Section **41-1a-606** is amended to read:

41-1a-606. Method of giving notice -- Exceptions.

The method provided in Sections 41-1a-602 through 41-1a-605, for giving constructive notice of a lien or encumbrance upon a registered vehicle is exclusive except for liens dependent upon possession and any lien or encumbrance filed as provided under this chapter, which are exempt from the provisions of Section [~~70A-9-302~~] 70A-9a-311, and other provisions of law that otherwise require or relate to the recording or filing of instruments creating or evidencing title retention or other liens or encumbrances upon vehicles of a type subject to registration under this chapter.

Section 11. Section **57-3-102** is amended to read:

57-3-102. Record imparts notice -- Change in interest rate -- Validity of document -- Notice of unnamed interests -- Conveyance by grantee.

(1) Each document executed, acknowledged, and certified, in the manner prescribed by this title, each original document or certified copy of a document complying with Section 57-4a-3, whether or not acknowledged, each copy of a notice of location complying with Section 40-1-4, and each financing statement complying with Section [~~70A-9-402~~] 70A-9a-502, whether or not acknowledged shall, from the time of recording with the appropriate county recorder, impart notice to all persons of their contents.

(2) If a recorded document was given as security, a change in the interest rate in accordance with the terms of an agreement pertaining to the underlying secured obligation does not affect the notice or alter the priority of the document provided under Subsection (1).

(3) This section does not affect the validity of a document with respect to the parties to the

document and all other persons who have notice of the document.

(4) The fact that a recorded document recites only a nominal consideration, names the grantee as trustee, or otherwise purports to be in trust without naming beneficiaries or stating the terms of the trust does not charge any third person with notice of any interest of the grantor or of the interest of any other person not named in the document.

(5) The grantee in a recorded document may convey the interest granted to him free and clear of all claims not disclosed in the document in which he appears as grantee or in any other document recorded in accordance with this title that sets forth the names of the beneficiaries, specifies the interest claimed, and describes the real property subject to the interest.

Section 12. Section **57-3-108** is enacted to read:

57-3-108. Financing statements not subject to title.

This title does not apply to a financing statement filed or recorded in a filing office described in Subsection 70A-9a-501(1)(a) that:

(1) covers as-extracted collateral or timber to be cut; or

(2) (a) is filed as a fixture filing; and

(b) covers goods that are or are to become fixtures.

Section 13. Section **57-16-9** is amended to read:

57-16-9. Lienholder's liability for rent and fees.

Notwithstanding [~~the provisions of~~] Section 38-3-2 and Section [~~70A-9-317~~] 70A-9a-402, the lienholder of record of a mobile home is primarily liable to the mobile home park owner or operator for rent and service charges if a mobile home is not removed within [~~10~~] ten days after receipt of written notice that a mobile home has been abandoned or that a writ of restitution has been issued. The lienholder, however, is only liable for rent that accrues after receipt of such notice.

Section 14. Section **58-37-13** is amended to read:

58-37-13. Property subject to forfeiture -- Seizure -- Procedure.

(1) As used in this section:

(a) "Complaint" means a verified civil in rem complaint seeking forfeiture or any criminal information or indictment which contains or is amended to include a demand for forfeiture of a

defendant's in personam interest in any property which is subject to forfeiture.

(b) "Drug distributing paraphernalia" means any property used or designed to be used in the illegal transportation, storage, shipping, or circulation of a controlled substance. Property is considered "designed to be used" for one or more of the above-listed purposes if the property has been altered or modified to include a feature or device which would actually promote or conceal a violation of this chapter.

(c) "Drug manufacturing equipment or supplies" includes any illegally possessed controlled substance precursor, or any chemical, laboratory equipment, or laboratory supplies possessed with intent to engage in clandestine laboratory operation as defined in Section 58-37d-3.

(d) "Interest holder" means a secured party as defined in [~~Section 70A-9-105(1)(m)~~] Section 70A-9a-102, a mortgagee, lien creditor, or the beneficiary of a security interest or encumbrance pertaining to an interest in property, whose interest would be perfected against a good faith purchaser for value. A person who holds property for the benefit of or as an agent or nominee for another, or who is not in substantial compliance with any statute requiring an interest in property to be recorded or reflected in public records in order to perfect the interest against a good faith purchaser for value, is not an interest holder.

(e) "Proceeds" means property acquired directly or indirectly from, produced through, realized through, or caused by an act or omission and includes any property of any kind without reduction for expenses incurred in the acquisition, maintenance, or production of that property, or any other purpose.

(f) "Resolution of criminal charges" occurs at the time a claimant who is also charged with violations under Title 58, Chapters 37, 37a, 37b, 37c, or 37d enters a plea, upon return of a jury verdict or court ruling in a criminal trial, or upon dismissal of the criminal charge.

(g) "Violation of this chapter" means any conduct prohibited by Title 58, Chapters 37, 37a, 37b, 37c, or 37d or any conduct occurring outside the state which would be a violation of the laws of the place where the conduct occurred and which would be a violation of Title 58, Chapters 37, 37a, 37b, 37c, or 37d if the conduct had occurred in this state.

(2) The following are subject to forfeiture and no property right exists in them:

(a) all controlled substances which have been manufactured, distributed, dispensed, or acquired in violation of this chapter;

(b) all raw materials, products, and equipment of any kind used, or intended for use, in manufacturing, compounding, processing, delivering, importing, or exporting any controlled substance in violation of this chapter;

(c) all property used or intended for use as a container for property described in Subsections (2)(a) and (2)(b);

(d) all hypodermic needles, syringes, and other paraphernalia, not including capsules used with health food supplements and herbs, used or intended for use to administer controlled substances in violation of this chapter;

(e) all conveyances including aircraft, vehicles, or vessels used or intended for use, to transport, or in any manner facilitate the transportation, sale, receipt, simple possession, or concealment of property described in Subsections (2)(a) and (2)(b), except that:

(i) a conveyance used by any person as a common carrier in the transaction of business as a common carrier may not be forfeited under this section unless the owner or other person in charge of the conveyance was a consenting party or knew or had reason to know of the violation of this chapter;

(ii) a conveyance may not be forfeited under this section by reason of any act or omission committed or omitted without the owner's knowledge or consent; and

(iii) any forfeiture of a conveyance is subject to the claim of an interest holder who did not know or have reason to know after the exercise of reasonable diligence that a violation would or did take place in the use of the conveyance;

(f) all books, records, and research, including formulas, microfilm, tapes, and data used or intended for use in violation of this chapter;

(g) everything of value furnished or intended to be furnished in exchange for a controlled substance in violation of this chapter, and all moneys, negotiable instruments, and securities used or intended to be used to facilitate any violation of this chapter. An interest in property may not be forfeited under this subsection unless it is proven by a preponderance of the evidence that the interest

holder knew, had reason to know of, or consented to the conduct which made the property subject to forfeiture. The burden of presenting this evidence shall be upon the state;

(h) all imitation controlled substances as defined in Section 58-37b-2, Imitation Controlled Substances Act;

(i) all warehousing, housing, and storage facilities, or interest in real property of any kind used, or intended for use, in producing, cultivating, warehousing, storing, protecting, or manufacturing any controlled substances in violation of this chapter, except that:

(i) any forfeiture of a housing, warehousing, or storage facility or interest in real property is subject to the claim of an interest holder who did not know or have reason to know after the exercise of reasonable diligence that a violation would take place on the property;

(ii) an interest in property may not be forfeited under this subsection if the interest holder did not know or have reason to know of the conduct which made the property subject to forfeiture, or did not willingly consent to the conduct; and

(iii) unless the premises are used in producing, cultivating, or manufacturing controlled substances, a housing, warehousing, or storage facility or interest in real property may not be forfeited

under this subsection unless cumulative sales of controlled substances on the property within a two-month period total or exceed \$1,000, or the street value of any controlled substances found on the premises at any given time totals or exceeds \$1,000. A narcotics officer experienced in controlled substances law enforcement may testify to establish the street value of the controlled substances for purposes of this subsection;

(j) any firearm, weapon, or ammunition carried or used during or in relation to a violation of this chapter or any firearm, weapon, or ammunition kept or located within the proximity of controlled substances or other property subject to forfeiture under this section; and

(k) all proceeds traceable to any violation of this chapter. There is a rebuttable presumption that all money, coins, and currency found in proximity to forfeitable controlled substances, drug manufacturing equipment or supplies, drug distributing paraphernalia, or forfeitable records of importation, manufacture, or distribution of controlled substances are proceeds traceable to a violation of this chapter. The burden of proof is upon the claimant of the property to rebut this

presumption.

(3) (a) Property subject to forfeiture under this chapter may be seized by any peace officer of this state upon process issued by any court having jurisdiction over the property. However, seizure without process may be made when:

(i) the seizure is incident to an arrest or search under a search warrant or an inspection under an administrative inspection warrant;

(ii) the property subject to seizure has been the subject of a prior judgment in favor of the state in a criminal injunction or forfeiture proceeding under this chapter;

(iii) the peace officer has probable cause to believe that the property is directly or indirectly dangerous to health or safety; or

(iv) the peace officer has probable cause to believe that the property has been used or intended to be used in violation of this chapter and has probable cause to believe the property will be damaged, intentionally diminished in value, destroyed, concealed, or removed from the state.

(b) Upon the filing of a complaint, the court shall immediately issue to the seizing agency a warrant for seizure of any property subject to forfeiture which had been seized without a warrant in a manner described in this Subsection (3).

(4) In the event of seizure under Subsection (3), forfeiture proceedings under Subsection (9) shall be instituted within 90 days of the seizure. The time period may be extended by the court having jurisdiction over the property upon notice to all claimants and interest holders and for good cause shown.

(5) Property taken or detained under this section is not repleviable but is in custody of the law enforcement agency making the seizure, subject only to the orders and decrees of the court or the official having jurisdiction. When property is seized under this chapter, the appropriate person or agency may:

(a) place the property under seal;

(b) remove the property to a place designated by it or the warrant under which it was seized;

or

(c) take custody of the property and remove it to an appropriate location for disposition in

accordance with law.

(6) All substances listed in Schedule I that are possessed, transferred, distributed, or offered for distribution in violation of this chapter are contraband and no property right shall exist in them. All substances listed in Schedule I which are seized or come into the possession of the state may be retained for any evidentiary or investigative purpose, including sampling or other preservation prior to disposal or destruction by the state.

(7) All marijuana or any species of plants from which controlled substances in Schedules I and II are derived which have been planted or cultivated in violation of this chapter, or of which the owners or cultivators are unknown, or are wild growths, may be seized and retained for any evidentiary or investigative purpose, including sampling or other preservation prior to disposal or destruction by the state. Failure, upon demand by the department or its authorized agent, of any person in occupancy or in control of land or premises upon which species of plants are growing or being stored, to produce an appropriate license or proof that he is the holder of a license, is authority for the seizure and forfeiture of the plants.

(8) When any property is forfeited under this chapter by a finding of the court that no person is entitled to recover the property, it shall be deposited in the custody of the Division of Finance. Disposition of all property is as follows:

(a) The state may include in its complaint seeking forfeiture, a request that the seizing agency be awarded the property. Upon a finding that the seizing agency is able to use the forfeited property in the enforcement of controlled substances laws, the court having jurisdiction over the case shall award the property to the seizing agency. Each agency shall use the forfeited property for controlled substance law enforcement purposes only. Forfeited property or proceeds from the sale of forfeited property may not be used to pay any cash incentive, award, or bonus to any peace officer or individual acting as an agent for the agency, nor may it be used to supplant any ordinary operating expense of the agency. The seizing agency shall pay to the prosecuting agency the legal costs incurred in filing and pursuing the forfeiture action. Property forfeited under this section may not be applied by the court to costs or fines assessed against any defendant in the case.

(b) The seizing agency, or if it makes no application, any state agency, bureau, county, or

municipality, which demonstrates a need for specific property or classes of property subject to forfeiture shall be given the property for use in enforcement of controlled substances laws upon the payment of costs to the county attorney or, if within a prosecution district, the district attorney for legal costs for filing and pursuing the forfeiture and upon application for the property to the director of the Division of Finance. The application shall clearly set forth the need for the property and the use to which the property will be put.

(c) The director of the Division of Finance shall review all applications for property submitted under Subsection (8)(b) and, if the seizing agency makes no application, make a determination based on necessity and advisability as to final disposition and shall notify the designated applicant or seizing agency, where no application is made, who may obtain the property upon payment of all costs to the appropriate department. The Division of Finance shall in turn reimburse the prosecuting agency or agencies for costs of filing and pursuing the forfeiture action, not to exceed the amount of the net proceeds received for the sale of the property. Any proceeds remaining after payment shall be returned to the seizing agency or agencies.

(d) If no disposition is made upon an application under Subsection (8)(a) or (b), the director of the Division of Finance shall dispose of the property by public bidding or as considered appropriate, by destruction. Proof of destruction shall be upon oath of two officers or employees of the department having charge of the property, and verified by the director of the department or his designated agent.

(9) Forfeiture proceedings shall be commenced as follows:

(a) For actions brought under Subsections (2)(a) through (2)(j), a complaint shall be prepared by the county attorney, or if within a prosecution district, the district attorney, or the attorney general, and filed in a court of record where the property was seized or is to be seized. In cases in which the claimant of the property is also charged as a criminal defendant, the complaint shall be filed in the county where the criminal charges arose, regardless of the location of the property. The complaint shall include:

- (i) a description of the property which is subject to forfeiture;
- (ii) the date and place of seizure, if known; and

(iii) the allegations of conduct which gives rise to forfeiture.

(b) In cases where a claimant is also charged as a criminal defendant, the forfeiture shall proceed as part of the criminal prosecution as an in personam action against the defendant's interest in the property subject to forfeiture. A defendant need not file a written answer to the complaint, but may acknowledge or deny interest in the property at the time of first appearance on the criminal charges. If a criminal information or indictment is amended to include a demand for forfeiture, the defendant may respond to the demand at the time of the amendment.

(i) Unless motion for disposition is made by the defendant, the determination of forfeiture shall be stayed until resolution of the criminal charges. Hearing on the forfeiture shall be before the court without a jury. The court may consider any evidence presented in the criminal case, and receive any other evidence offered by the state or the defendant. The court shall determine by a preponderance of the evidence the issues in the case and order forfeiture or release of the property as it determines.

(ii) A defendant may move the court to transfer the forfeiture action, to stay all action, including discovery, in the forfeiture, or for hearing on the forfeiture any time prior to trial of the criminal charges. Either party may move the court to enter a finding of forfeiture as to defendant's interest in part or all of the property, either by default or by stipulation. Upon entry of a finding, the court shall stay the entry of judgment until resolution of the criminal charges. Any finding of forfeiture entered by the court prior to resolution of the criminal charges may not constitute a separate judgment, and any motion for disposition, stay, severance, or transfer of the forfeiture action may not create a separate proceeding. Upon the granting of a motion by the defendant for disposition, stay, severance, or transfer of the forfeiture action, the defendant shall be considered to have waived any claim that the defendant has been twice put in jeopardy for the same offense.

(iii) Any other person claiming an interest in property subject to forfeiture under this subsection may not intervene in a trial or appeal of a complaint filed under this subsection. Following the entry of an in personam forfeiture order, or upon the filing of a petition for release under Subsection (9)(e), the county attorney, district attorney, or attorney general may proceed with a separate in rem action to resolve any other claims upon the property subject to forfeiture.

(c) A complaint seeking forfeiture under Subsection (2)(k) shall be prepared by the county attorney, or if within a prosecution district, the district attorney, or by the attorney general, either in personam as part of a criminal prosecution, or in a separate civil in rem action against the property alleged to be proceeds, and filed in the county where the property is seized or encumbered, if the proceeds are located outside the state. A finding that property is the proceeds of a violation of this chapter does not require proof that the property is the proceeds of any particular exchange or transaction. Proof that property is proceeds may be shown by evidence which establishes all of the following by a preponderance of the evidence:

- (i) that the person has engaged in conduct in violation of this chapter;
- (ii) that the property was acquired by the person during that period when the conduct in violation of this chapter occurred or within a reasonable time after that period; and
- (iii) that there was no likely source for the property other than conduct in violation of the chapter.

(d) Notice of the seizure and intended forfeiture shall be filed with the clerk of the court, and served upon all persons known to the county attorney or district attorney to have a claim in the property by:

- (i) personal service upon a claimant who is charged in a criminal information or indictment; and
- (ii) certified mail to each claimant whose name and address is known or to each owner whose right, title, or interest is of record in the Division of Motor Vehicles to the address given upon the records of the division, which service is considered complete even though the mail is refused or cannot be forwarded. The county attorney, district attorney, or attorney general shall make one publication in a newspaper of general circulation in the county where the seizure was made for all other claimants whose addresses are unknown, but who are believed to have an interest in the property.

(e) Except under Subsection (9)(a) in personam actions, any claimant or interest holder shall file with the court a verified answer to the complaint within 20 days after service. When property is seized under this chapter, any interest holder or claimant of the property, prior to being served with

a complaint under this section, may file a petition in the court having jurisdiction for release of his interest in the property. The petition shall specify the claimant's interest in the property and his right to have it released. A copy shall be served upon the county attorney or, if within a prosecution district, the district attorney in the county of the seizure, who shall answer the petition within 20 days. A petitioner need not answer a complaint of forfeiture.

(f) For civil actions in rem, after 20 days following service of a complaint or petition for release, the court shall examine the record and if no answer is on file, the court shall allow the complainant or petitioner an opportunity to present evidence in support of his claim and order forfeiture or release of the property as the court determines. If the county attorney or district attorney has not filed an answer to a petition for release and the court determines from the evidence that the petitioner is not entitled to recovery of the property, it shall enter an order directing the county attorney or district attorney to answer the petition within ten days. If no answer is filed within that period, the court shall order the release of the property to the petitioner entitled to receive it.

(g) When an answer to a complaint or petition appears of record at the end of 20 days, the court shall set the matter for hearing. At this hearing all interested parties may present evidence of their rights of release of the property following the state's evidence for forfeiture. The court shall determine by a preponderance of the evidence the issues in the case and order forfeiture or release of the property as it determines.

(h) When the court determines that claimants have no right in the property in whole or in part, it shall declare the property to be forfeited.

(i) When the court determines that property, in whole or in part, is not subject to forfeiture, it shall order release of the property to the proper claimant. If the court determines that the property is subject to forfeiture and release in part, it shall order partial release and partial forfeiture. When the property cannot be divided for partial forfeiture and release, the court shall order it sold and the proceeds distributed:

- (i) first, proportionally among the legitimate claimants;
- (ii) second, to defray the costs of the action, including seizure, storage of the property, legal costs of filing and pursuing the forfeiture, and costs of sale; and

(iii) third, to the Division of Finance for the General Fund.

(j) In a proceeding under this section where forfeiture is declared, in whole or in part, the court shall assess all costs of the forfeiture proceeding, including seizure and storage of the property, against the individual or individuals whose conduct was the basis of the forfeiture, and may assess costs against any other claimant or claimants to the property as appropriate.

Section 15. Section **70A-1-105** is amended to read:

70A-1-105. Territorial application of title -- Parties' power to choose applicable law.

(1) Except as 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. Failing such agreement, this title applies to transactions bearing an appropriate relation to this state.

(2) Where one of the following provisions of this title specifies the applicable law, that provision governs and a contrary agreement is effective only to the extent permitted by the law, including the conflict of laws rules, so specified:

(a) rights of creditors against sold goods under Section 70A-2-402;

(b) applicability of the chapter on leases under Sections 70A-2a-105 and 70A-2a-106;

(c) applicability of the chapter on [~~Bank Deposits and Collections~~] bank deposits and collections under Section 70A-4-102;

(d) applicability of the chapter on letters of credit under Section 70A-5-116;

~~[(d)]~~ (e) applicability of the chapter on [Investment Securities] investment securities under Section 70A-8-109; or

~~[(e) perfection provisions of the chapter on Secured Transactions under Section 70A-9-103;~~
~~or]~~

(f) law governing perfection, the effect of perfection or nonperfection, and the priority of security interests and agricultural liens under Sections 70A-9a-301 through 70A-9a-307.

~~[(f) applicability of the chapter on Letters of Credit under Section 70A-5-116.]~~

Section 16. Section **70A-1-201** is amended to read:

70A-1-201. General definitions.

In addition to definitions contained in the subsequent chapters of this title and unless the context otherwise requires, in this title:

(1) "Action" in the sense of a judicial proceeding includes recoupment, counterclaim, setoff, suit in equity, and any other proceedings in which rights are determined.

(2) "Aggrieved party" means a party entitled to resort to a remedy.

(3) "Agreement" means the bargain of the parties in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in Sections 70A-1-205 and 70A-2-208. Whether an agreement has legal consequences is determined by the provisions of this title, if applicable; otherwise by the law of contracts as provided in Section 70A-1-103. Compare the definition of "contract" in Subsection (11).

(4) "Bank" means any person engaged in the business of banking.

(5) "Bearer" means the person in possession of an instrument, document of title, or certificated security payable to bearer or indorsed in blank.

(6) "Bill of lading" means a document evidencing the receipt of goods for shipment issued by a person engaged in the business of transporting or forwarding goods, and includes an airbill.

"Airbill" means a document serving for air transportation as a bill of lading does for marine or rail transportation, and includes an air consignment note or air waybill.

(7) "Branch" includes a separately incorporated foreign branch of a bank.

(8) "Burden of establishing a fact" means the burden of persuading the triers of fact that the existence of the fact is more probable than its nonexistence.

(9) "Buyer in ordinary course of business" means a person ~~[who]~~ that buys goods, in good faith ~~[and]~~, without knowledge that the sale ~~[to him is in violation of]~~ violates the ~~[ownership]~~ rights ~~[or security interest]~~ of ~~[a third party]~~ another person in the goods, ~~[buys]~~ and in the ordinary course from a person, other than a pawnbroker, in the business of selling goods of that kind ~~[but does not include a pawnbroker. All persons who sell minerals or the like, including oil and gas, at wellhead or minehead are considered to be persons]~~. A person buys goods in the ordinary course if the sale to the person comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller's own usual or customary practices. A person that sells oil, gas,

or other minerals at the wellhead or minehead is a person in the business of selling goods of that kind. ["Buying"] A buyer in ordinary course of business may [be] buy for cash [or], by exchange of other property, or on secured or unsecured credit, and [includes receiving] may acquire goods or documents of title under a preexisting contract for sale [but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt]. Only a buyer that takes possession of the goods or has a right to recover the goods from the seller under Chapter 2 may be a buyer in ordinary course of business. A person that acquires goods in a transfer in bulk or as security for or in total or partial satisfaction of a money debt is not a buyer in ordinary course of business.

(10) "Conspicuous" means a term or clause that is so written that a reasonable person against whom it is to operate ought to have noticed it. A printed heading in capitals such as: NONNEGOTIABLE BILL OF LADING is conspicuous. Language in the body of a form is "conspicuous" if it is in larger or other contrasting type or color. In a telegram any stated term is "conspicuous." Whether a term or clause is "conspicuous" or not is for decision by the court.

(11) "Contract" means the total legal obligation which results from the parties' agreement as affected by this title and any other applicable rules of law. Compare the definition of "agreement" in Subsection (3).

(12) "Creditor" includes a general creditor, a secured creditor, a lien creditor, and any representative of creditors, including an assignee for the benefit of creditors, a trustee in bankruptcy, a receiver in equity, and an executor or administrator of an insolvent debtor's or assignor's estate.

(13) "Defendant" includes a person in the position of defendant in a cross-action or counterclaim.

(14) "Delivery" with respect to instruments, documents of title, chattel paper, or certificated securities means voluntary transfer of possession.

(15) "Document of title" includes bill of lading, dock warrant, dock receipt, warehouse receipt, or order for the delivery of goods, and also any other document which in the regular course of business or financing is treated as adequately representing that the person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers. To be a document of title, a document must purport to be issued by or addressed to a bailee and purport to cover goods

in the bailee's possession which are either identified or are fungible portions of an identified mass.

(16) "Fault" means wrongful act, omission, or breach.

(17) "Fungible" with respect to goods or securities means goods or securities of which any unit is, by nature or usage of trade, the equivalent of any other like unit. Goods which are not fungible are considered fungible for the purposes of this title to the extent that under a particular agreement or document unlike units are treated as equivalents.

(18) "Genuine" means free of forgery or counterfeiting.

(19) "Good faith" means honesty in fact in the conduct or transaction concerned.

(20) "Holder" with respect to a negotiable instrument, certificated security, or document of title means the person in possession if:

(a) in the case of a negotiable instrument payable to bearer or to an identified person, the identified person is in possession;

(b) in the case of a security, the person in possession is the registered owner, or the security has been indorsed to the person in possession by the registered owner, or the security is in bearer form; or

(c) in the case of a document of title, the goods are deliverable to bearer or to the order of the person in possession.

(21) To "honor" is to pay or to accept and pay, or where a credit so engages to purchase or discount a draft complying with the terms of the credit.

(22) "Insolvency proceedings" includes any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate the estate of the person involved.

(23) A person is "insolvent" who either has ceased to pay his debts in the ordinary course of business or cannot pay his debts as they become due or if he is insolvent within the meaning of the federal bankruptcy law.

(24) "Money" means a medium of exchange authorized or adopted by a domestic or foreign government or intergovernmental organization and includes a monetary unit of account established by an intergovernmental organization or by agreement between two or more nations.

(25) (a) A person has "notice" of a fact when:

(i) he has actual knowledge of it;
(ii) he has received a notice or notification of it; or
(iii) from all the facts and circumstances known to him at the time in question he has reason to know that it exists.

(b) A person "knows" or has "knowledge" of a fact when he has actual knowledge of it.

(c) "Discover" or "learn" or a word or phrase of similar import refers to knowledge rather than to reason to know.

(d) The time and circumstances under which a notice or notification may cease to be effective are not determined by this title.

(26) (a) A person "notifies" or "gives" a notice or notification to another by taking such steps as may be reasonably required to inform the other person in ordinary course whether or not the other person actually comes to know of it.

(b) A person "receives" a notice or notification when:

(i) it comes to his attention; or

(ii) it is duly delivered at the place of business through which the contract was made or at any other place held out by him as the place for receipt of such communications.

(27) Notice, knowledge of a notice, or notification received by an organization is effective for a particular transaction from the time when it is brought to the attention of the individual conducting that transaction, and in any event from the time when it would have been brought to his attention if the organization had exercised due diligence. An organization exercises due diligence if it maintains reasonable routines for communicating significant information to the person conducting the transaction and there is reasonable compliance with the routines. Due diligence does not require an individual acting for the organization to communicate information unless such communication is part of his regular duties or unless he has reason to know of the transaction and that the transaction would be materially affected by the information.

(28) "Organization" includes a corporation, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, two or more persons having a joint or common interest, or any other legal or commercial entity.

(29) "Party," as distinct from "third party," means a person who has engaged in a transaction or made an agreement within this title.

(30) "Person" includes an individual or an organization as provided in Section 70A-1-102.

(31) "Presumption" or "presumed" means that the trier of fact must find the existence of the fact presumed unless and until evidence is introduced which would support a finding of its nonexistence.

(32) "Purchase" includes taking by sale, discount, negotiation, mortgage, pledge, lien, security interest, issue or reissue, gift, or any other voluntary transaction creating an interest in property.

(33) "Purchaser" means a person who takes by purchase.

(34) "Remedy" means any remedial right to which an aggrieved party is entitled with or without resort to a tribunal.

(35) "Representative" includes an agent, an officer of a corporation or association, and a trustee, executor, or administrator of an estate, or any other person empowered to act for another.

(36) "Rights" includes remedies.

(37) (a) "Security interest" means an interest in personal property or fixtures which secures payment or performance of an obligation. [~~The retention or reservation of title by a seller of goods, notwithstanding shipment or delivery to the buyer as provided in Section 70A-2-401, is limited in effect to a reservation of a "security interest."~~] The term also includes any interest of a consignor and a buyer of accounts [or], chattel paper [which], a payment intangible, or a promissory note in a transaction that is subject to Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions. The special property interest of a buyer of goods on identification of those goods to a contract for sale under Section 70A-2-401 is not a "security interest," but a buyer may also acquire a "security interest" by complying with Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions. [~~Unless a consignment is intended as security, reservation of title under the consignment is not a "security interest." A consignment in any event is subject to the provisions on consignment sales provided in Section 70A-2-326.~~] Except as otherwise provided in Section 70A-2-505, the right of a seller or lessor of goods under Chapter 2 or 2A to retain or acquire

possession of the goods is not a "security interest," but a seller or lessor may also acquire a "security interest" by complying with Chapter 9a, Uniform Commercial Code -- Secured Transactions. The retention or reservation of title by a seller of goods notwithstanding shipment or delivery to the buyer (Section 70A-2-401) is limited in effect to a reservation of a "security interest." Notwithstanding anything in Title 70A to the contrary, "security interest" does not include a rental purchase agreement as defined in Section 15-8-3.

(b) Whether a transaction creates a lease or security interest is determined by the facts of each case; however, a transaction creates a security interest if the consideration the lessee is to pay the lessor for the right to possession and use of the goods is an obligation for the term of the lease not subject to termination by the lessee, and:

(i) the original term of the lease is equal to or greater than the remaining economic life of the goods;

(ii) the lessee is bound to renew the lease for the remaining economic life of the goods or is bound to become the owner of the goods;

(iii) the lessee has an option to renew the lease for the remaining economic life of the goods for no additional consideration or nominal additional consideration upon compliance with the lease agreement; or

(iv) the lessee has an option to become the owner of the goods for no additional consideration or nominal additional consideration upon compliance with the lease agreement.

(c) A transaction does not create a security interest merely because it provides that:

(i) the present value of the consideration the lessee is obligated to pay the lessor for the right to possession and use of the goods is substantially equal to or is greater than the fair market value of the goods at the time the lease is entered into;

(ii) the lessee assumes risk of loss of the goods, or agrees to pay taxes, insurance, filing, recording, or registration fees, or service or maintenance costs with respect to the goods;

(iii) the lessee has an option to renew the lease or to become the owner of the goods;

(iv) the lessee has an option to renew the lease for a fixed rent that is equal to or greater than the reasonably predictable fair market rent for the use of the goods for the term of the renewal at the

time the option is to be performed; or

(v) the lessee has an option to become the owner of the goods for a fixed price that is equal to or greater than the reasonably predictable fair market value of the goods at the time the option is to be performed.

(d) For purposes of this subsection:

(i) Additional consideration is not nominal if, when the option to renew the lease is granted to the lessee, the rent is stated to be the fair market rent for the use of the goods for the term of the renewal determined at the time the option is to be performed, or when the option to become the owner of the goods is granted to the lessee the price is stated to be the fair market value of the goods determined at the time the option is to be performed.

(ii) Additional consideration is nominal if it is less than the lessee's reasonably predictable cost of performing under the lease agreement if the option is not exercised.

(iii) "Reasonably predictable" and "remaining economic life of the goods" are to be determined with reference to the facts and circumstances at the time the transaction is entered into.

(iv) "Present value" means the amount as of a date certain of one or more sums payable in the future, discounted to the date certain. The discount is determined by the interest rate specified by the parties if the rate is not manifestly unreasonable at the time the transaction is entered into; otherwise, the discount is determined by a commercially reasonable rate that takes into account the facts and circumstances of each case at the time the transaction was entered into.

(38) "Send" in connection with any writing or notice means to deposit in the mail or deliver for transmission by any other usual means of communication with postage or the cost of the transmission provided for and properly addressed, and, in the case of an instrument, to an address specified thereon or otherwise agreed, or if there be none to any address reasonable under the circumstances. The receipt of any writing or notice within the time at which it would have arrived if properly sent has the effect of a proper sending.

(39) "Signed" includes any symbol executed or adopted by a party with present intention to authenticate a writing.

(40) "Surety" includes guarantor.

(41) "Telegram" includes a message transmitted by radio, teletype, cable, any mechanical method of transmission, or the like.

(42) "Term" means that portion of an agreement which relates to a particular matter.

(43) "Unauthorized signature" means one made without actual, implied, or apparent authority and includes a forgery.

(44) "Value." Except as otherwise provided with respect to negotiable instruments and bank collections as in Sections 70A-3-303, 70A-4-210, and 70A-4-211, a person gives "value" for rights if he acquires them:

(a) 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;

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

(c) by accepting delivery pursuant to a preexisting contract for purchase; or

(d) generally, in return for any consideration sufficient to support a simple contract.

(45) "Warehouse receipt" means a receipt issued by a person engaged in the business of storing goods for hire.

(46) "Written" or "writing" includes printing, typewriting, or any other intentional reduction to tangible form.

Section 17. Section **70A-1-206** is amended to read:

70A-1-206. Statute of frauds for kinds of personal property not otherwise covered.

(1) Except in the cases described in Subsection (2) of this section, a contract for the sale of personal property is not enforceable by way of action or defense beyond \$5,000 in amount or value of remedy unless there is some writing which indicates that a contract for sale has been made between the parties at a defined or stated price, reasonably identifies the subject matter, and is signed by the party against whom enforcement is sought or by his authorized agent.

(2) Subsection (1) of this section does not apply to contracts for the sale of goods (Section 70A-2-201) nor of securities (Section 70A-8-112) nor to security agreements (Section ~~70A-9-203~~ 70A-9a-203).

Section 18. Section **70A-2-103** is amended to read:

70A-2-103. Definitions and index of definitions.

(1) In this chapter unless the context otherwise requires:

(a) "Buyer" means a person who buys or contracts to buy goods.

(b) "Good faith" in the case of a merchant means honesty in fact and the observance of reasonable commercial standards of fair dealing in the trade.

(c) "Receipt" of goods means taking physical possession of them.

(d) "Seller" means a person who sells or contracts to sell goods.

(2) Other definitions applying to this chapter or to specified parts thereof, and the sections in which they appear are:

(a) "Acceptance." Section 70A-2-606.

(b) "Banker's credit." Section 70A-2-325.

(c) "Between merchants." Section 70A-2-104.

(d) "Cancellation." Subsection 70A-2-106(4).

(e) "Commercial unit." Section 70A-2-105.

(f) "Confirmed credit." Section 70A-2-325.

(g) "Conforming to contract." Section 70A-2-106.

(h) "Contract for sale." Section 70A-2-106.

(i) "Cover." Section 70A-2-712.

(j) "Entrusting." Section 70A-2-403.

(k) "Financing agency." Section 70A-2-104.

(l) "Future goods." Section 70A-2-105.

(m) "Goods." Section 70A-2-105.

(n) "Identification." Section 70A-2-501.

(o) "Installment contract." Section 70A-2-612.

(p) "Letter of Credit." Section 70A-2-325.

(q) "Lot." Section 70A-2-105.

(r) "Merchant." Section 70A-2-104.

- (s) "Overseas." Section 70A-2-323.
- (t) "Person in position of seller." Section 70A-2-707.
- (u) "Present sale." Section 70A-2-106.
- (v) "Sale." Section 70A-2-106.
- (w) "Sale on approval." Section 70A-2-326.
- (x) "Sale or return." Section 70A-2-326.
- (y) "Termination." Section 70A-2-106.
- (3) The following definitions in other chapters apply to this chapter:
 - (a) "Check." Section 70A-3-104.
 - (b) "Consignee." Section 70A-7-102.
 - (c) "Consignor." Section 70A-7-102.
 - (d) "Consumer goods." Section [~~70A-9-109~~] 70A-9a-102.
 - (e) "Dishonor." Section 70A-3-502.
 - (f) "Draft." Section 70A-3-104.

(4) In addition Chapter 1 contains general definitions and principles of construction and interpretation applicable throughout this chapter.

Section 19. Section **70A-2-210** is amended to read:

70A-2-210. Delegation of performance -- Assignment of rights.

(1) A party may perform his duty through a delegate unless otherwise agreed or unless the other party has a substantial interest in having his original promisor perform or control the acts required by the contract. No delegation of performance relieves the party delegating of any duty to perform or any liability for breach.

(2) [~~Unless~~] Except as otherwise provided in Section 70A-9a-406, unless otherwise agreed, all rights of either seller or buyer can be assigned except where the assignment would materially change the duty of the other party, or increase materially the burden or risk imposed on him by his contract, or impair materially his chance of obtaining return performance. A right to damages for breach of the whole contract or a right arising out of the assignor's due performance of his entire obligation can be assigned despite agreement otherwise.

(3) The creation, attachment, perfection, or enforcement of a security interest in the seller's interest under a contract is not a transfer that materially changes the duty of or increases materially the burden or risk imposed on the buyer or impairs materially the buyer's chance of obtaining return performance within the purview of Subsection (2) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the seller. Even in that event, the creation, attachment, perfection, and enforcement of the security interest remain effective, but:

(a) the seller is liable to the buyer for damages caused by the delegation to the extent that the damages could not reasonably be prevented by the buyer; and

(b) a court having jurisdiction may grant other appropriate relief, including cancellation of the contract for sale or an injunction against enforcement of the security interest or consummation of the enforcement.

~~[(3)]~~ (4) Unless the circumstances indicate the contrary a prohibition of assignment of "the contract" is to be construed as barring only the delegation of (to) the assignee of the assignor's performance.

~~[(4)]~~ (5) An assignment of "the contract" or of "all my rights under the contract" or an assignment in similar general terms is an assignment of rights and unless the language or the circumstances (as in an assignment of (for) security) indicate the contrary, it is a delegation of performance of the duties of the assignor and its acceptance by the assignee constitutes a promise by him to perform those duties. This promise is enforceable by either the assignor or the other party to the original contract.

~~[(5)]~~ (6) The other party may treat any assignment which delegates performance as creating reasonable grounds for insecurity and may without prejudice to his rights against the assignor demand assurances from the assignee (Section 70A-2-609).

Section 20. Section **70A-2-326** is amended to read:

70A-2-326. Sale on approval and sale or return -- Rights of creditors.

(1) Unless otherwise agreed, if delivered goods may be returned by the buyer even though they conform to the contract, the transaction is:

(a) a "sale on approval" if the goods are delivered primarily for use[;]; and

(b) a "sale or return" if the goods are delivered primarily for resale.

(2) ~~[Except as provided in Subsection (3), goods]~~ Goods held on approval are not subject to the claims of the buyer's creditors until acceptance; goods held on sale or return are subject to such claims while in the buyer's possession.

~~[(3) Where goods are delivered to a person for sale and such person maintains a place of business at which he deals in goods of the kind involved, under a name other than the name of the person making delivery then with respect to claims of creditors of the person conducting the business the goods are deemed to be on sale or return. The provisions of this subsection are applicable even though an agreement purports to reserve title to the person making delivery until payment or resale or uses such words as "on consignment" or "on memorandum." However, this subsection is not applicable if the person making delivery]~~

~~[(a) complies with an applicable law providing for a consignor's interest or the like to be evidenced by a sign, or]~~

~~[(b) establishes that the person conducting the business is generally known by his creditors to be substantially engaged in selling the goods of others, or]~~

~~[(c) complies with the filing provisions of the chapter on Secured Transactions (Chapter 9).]~~

~~[(4)]~~ (3) Any "or return" term of a contract for sale is to be treated as a separate contract for sale within the statute of frauds section of this chapter (Section 70A-2-201) and as contradicting the sale aspect of the contract within the provisions of this chapter on parol or extrinsic evidence (Section 70A-2-202).

Section 21. Section **70A-2-502** is amended to read:

70A-2-502. Buyer's right to goods on seller's repudiation, failure to deliver, or insolvency.

(1) Subject to ~~[Subsection]~~ Subsections (2) and (3) and even though the goods have not been shipped a buyer who has paid a part or all of the price of goods in which he has a special property under the provisions of the immediately preceding section may on making and keeping good a tender of any unpaid portion of their price recover them from the seller if:

(a) in the case of goods bought for personal, family, or household purposes, the seller

repudiates or fails to deliver as required by the contract; or

(b) in all cases, the seller becomes insolvent within ten days after receipt of the first installment on their price.

(2) The buyer's right to recover the goods under Subsection (1)(a) vests upon acquisition of a special property, even if the seller had not then repudiated or failed to deliver.

~~[(2)]~~ (3) If the identification creating his special property has been made by the buyer he acquires the right to recover the goods only if they conform to the contract for sale.

Section 22. Section **70A-2-716** is amended to read:

70A-2-716. Buyer's right to specific performance or replevin.

(1) Specific performance may be decreed where the goods are unique or in other proper circumstances.

(2) The decree for specific performance may include such terms and conditions as to payment of the price, damages, or other relief as the court may deem just.

(3) The buyer has a right of replevin for goods identified to the contract if after reasonable effort he is unable to effect cover for such goods or the circumstances reasonably indicate that such effort will be unavailing or if the goods have been shipped under reservation and satisfaction of the security interest in them has been made or tendered. In the case of goods bought for personal, family, or household purposes, the buyer's right of replevin vests upon acquisition of a special property, even if the seller had not then repudiated or failed to deliver.

Section 23. Section **70A-2a-103** is amended to read:

70A-2a-103. Definitions -- Index of definitions.

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

(a) "Buyer in ordinary course of business" means a person, who in good faith and without knowledge that the sale to him is in violation of the ownership rights or security interest or leasehold interest of a third party in the goods, buys in ordinary course from a person in the business of selling goods of that kind, but does not include a pawnbroker. "Buying" may be for cash or by exchange of other property or on secured or unsecured credit and includes receiving goods or documents of title under a preexisting contract for sale, but does not include a transfer in bulk, or as security for, or in

total or partial satisfaction of a money debt.

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

(c) "Commercial unit" means a unit of goods which by commercial usage is a single whole for purposes of lease, and the division of which materially impairs its character or value on the market or in use. A commercial unit may be a single article, such as a machine, or a set of articles, such as a suite of furniture or a line of machinery, or a quantity, such as a gross or carload, or any other unit treated in use or in the relevant market as a single whole.

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

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

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

(g) "Finance lease" means a lease in which:

(i) the lessor does not select, manufacture, or supply the goods;

(ii) the lessor acquires the goods or the right to possession and use of the goods in connection with the lease; and

(iii) one of the following occurs:

(A) the lessee receives a copy of the contract by which the lessor acquired the goods or the right to possession and use of the goods before signing the lease contract;

(B) the lessee's approval of the contract by which the lessor acquired the goods or the right to possession and use of the goods is a condition to effectiveness of the lease contract;

(C) the lessee, before signing the lease contract, receives an accurate and complete statement designating the promises and warranties, and any disclaimers of warranties, limitations, or modifications of remedies, or liquidated damages, including those of a third party, such as the manufacturer of the goods, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and

use of the goods; or

(D) if the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing:

(I) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person;

(II) that the lessee is entitled under this chapter to the promises and warranties, including those of any third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods; and

(III) that the lessee may communicate with the person supplying the goods to the lessor and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

(h) "Goods" means all things that are movable at the time of identification to the lease contract, or are fixtures. The term does not include money, documents, instruments, accounts, chattel

paper, general intangibles, or minerals or the like, including oil and gas, before extraction. The term also includes the unborn young of animals.

(i) "Installment lease contract" means a lease contract that authorizes or requires the delivery of goods in separate lots to be separately accepted, even though the lease contract contains a clause stating "each delivery is a separate lease" or its equivalent.

(j) "Lease" means a transfer of the right to possession and use of goods for a term, in return for consideration. Unless the context clearly indicates otherwise, the term includes a sublease. But a sale, including a sale on approval or a sale or return, or retention or creation of a security interest is not a lease.

(k) "Lease agreement" with respect to the lease, means the bargain of the lessor and the lessee in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in this chapter. Unless the context clearly indicates otherwise, the term includes a sublease agreement.

(l) "Lease contract" means the total legal obligation that results from the lease agreement as affected by this chapter and any other applicable rules of law. Unless the context clearly indicates otherwise, the term includes a sublease contract.

(m) "Leasehold interest" means the interest of the lessor or the lessee under a lease contract.

(n) "Lessee" means a person who acquires the right to possession and use of goods under a lease. Unless the context clearly indicates otherwise, the term includes a sublessee.

(o) "Lessee in ordinary course of business" means a person who in good faith and without knowledge that the lease to him is in violation of the ownership rights, security interest, or leasehold interest of a third party in the goods, leases in ordinary course from a person in the business of selling or leasing goods of that kind, but does not include a pawnbroker. "Leasing" may be for cash or by exchange of other property, or on secured or unsecured credit, and includes receiving goods or documents of title under a preexisting lease contract. "Leasing" does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

(p) "Lessor" means a person who transfers the right to possession and use of goods under a lease. Unless the context clearly indicates otherwise, the term includes a sublessor.

(q) "Lessor's residual interest" means the lessor's interest in the goods after expiration, termination, or cancellation of the lease contract.

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

(s) "Lot" means a parcel or single article that is the subject matter of a separate lease or delivery, whether or not it is sufficient to perform the lease contract.

(t) "Merchant lessee" means a lessee that is a merchant with respect to goods of the kind subject to the lease.

(u) "Present value" means the amount as of a date certain of one or more sums payable in the future, discounted to the date certain. The discount is determined by the interest rate specified by the parties if the rate was not manifestly unreasonable at the time the transaction was entered into; otherwise, the discount is determined by a commercially reasonable rate that takes into account the facts and circumstances of each case at the time the transaction was entered into.

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

(w) "Sublease" means a lease of goods, the right to possession and use of which was acquired by the lessor as a lessee under an existing lease.

(x) "Supplier" means a person from whom a lessor buys or leases goods to be leased under a finance lease.

(y) "Supply contract" means a contract under which a lessor buys or leases goods to be leased.

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

(2) Other definitions applying to this chapter and the sections in which they appear are:

(a) "Accessions," Section 70A-2a-310;

(b) "Construction mortgage," Section 70A-2a-309;

(c) "Encumbrance," Section 70A-2a-309;

(d) "Fixtures," Section 70A-2a-309;

(e) "Fixture filing," Section 70A-2a-309; and

(f) "Purchase money lease," Section 70A-2a-309.

(3) The following definitions in other chapters apply to this chapter:

(a) "Account," [~~Section 70A-9-106~~] Subsection 70A-9a-102(2);

(b) "Between merchants," Section 70A-2-104;

(c) "Buyer," Section 70A-2-103;

(d) "Chattel paper," [~~Section 70A-9-105~~] Subsection 70A-9a-102(11);

(e) "Consumer goods," [~~Section 70A-9-109~~] Subsection 70A-9a-102(23);

(f) "Document," [~~Section 70A-9-105~~] Subsection 70A-9a-102(30);

(g) "Entrusting," Section 70A-2-403;

(h) "General [~~intangibles~~] intangible," [~~Section 70A-9-106~~] Subsection 70A-9a-102(42);

(i) "Good faith," Section 70A-2-103;

(j) "Instrument," [~~Section 70A-9-105~~] Subsection 70A-9a-102(47);

- (k) "Merchant," Section 70A-2-104;
- (l) "Mortgage," ~~[Section 70A-9-105]~~ Subsection 70A-9a-102(55);
- (m) "Pursuant to commitment," ~~[Section 70A-9-105]~~ Subsection 70A-9a-102(68);
- (n) "Receipt," Section 70A-2-103;
- (o) "Sale," Section 70A-2-106;
- (p) "Sale on approval," Section 70A-2-326;
- (q) "Sale or return," Section 70A-2-326; and
- (r) "Seller," Section 70A-2-103.

(4) In addition, Title 70A, Chapter 1, Uniform Commercial Code -- General Provisions, contains general definitions and principles of construction and interpretation applicable throughout this chapter.

Section 24. Section **70A-2a-303** is amended to read:

70A-2a-303. Transfer of party's interest under lease contract or of lessor's residual interest in goods -- Transfer as event of default -- Creation or enforcement of security interest -- Transfer of right to damages for default.

(1) As used in this section, "creation of a security interest" includes the sale of a lease contract subject to Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, by reason of ~~[Section 70A-9-102]~~ Subsection 70A-9a-109(1)(c).

(2) Except as provided in ~~[Subsections]~~ Subsection (3) and ~~[(4)]~~ Section 70A-9a-407, a provision in a lease agreement that prohibits the voluntary or involuntary transfer (including a transfer by sale, sublease, creation or enforcement of a security interest, or attachment, levy, or other judicial process) of an interest of a party under the lease contract or of the lessor's residual interest in the goods, or that makes such a transfer an event of default, gives rise to the rights and remedies provided in Subsection ~~[(5)]~~ (4), but a transfer that is prohibited or is an event of default under the lease agreement is otherwise effective.

~~[(3) A provision in a lease agreement that either prohibits the creation or enforcement of a security interest in an interest of a party under the lease contract or in the lessor's residual interest in the goods, or makes such a transfer an event of default, is not enforceable unless, and then only to~~

~~the extent that, there is an actual transfer by the lessee of the lessee's right of possession or use of the goods in violation of the provision, or an actual delegation of a material performance of either party to the lease contract in violation of the provision. Neither the granting nor the enforcement of a security interest in either the lessor's interest under the lease contract or the lessor's residual interest in the goods is a transfer that materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on, the lessee within the purview of Subsection (5) unless, and then only to the extent that, there is an actual delegation of a material performance of the lessor.]~~

~~[(4)] (3)~~ A provision in a lease agreement that prohibits a transfer of a right to damages for default with respect to the whole lease contract or of a right to payment arising out of the transferor's due performance of the transferor's entire obligation, or makes such a transfer an event of default, is not enforceable, and such a transfer is not a transfer that materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on, the other party to the lease contract within the purview of Subsection ~~[(5)] (4)~~.

~~[(5)] (4)~~ Subject to ~~[Subsections]~~ Subsection (3) and ~~[(4)]~~ Section 70A-9a-407:

(a) if a transfer is made that is made an event of default under a lease agreement, the party to the lease contract not making the transfer, unless that party waives the default or otherwise agrees, has the rights and remedies described in Section 70A-2a-501; and

(b) if Subsection ~~[(5)] (4)~~(a) is not applicable and if a transfer is made that is prohibited under a lease agreement, or materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on, the other party to the lease contract, unless the party not making the transfer agrees at any time to the transfer in the lease contract or otherwise, then, except as limited by contract, the transferor is liable to the party not making the transfer for damages caused by the transfer to the extent that the damages could not reasonably be prevented by the party not making the transfer, and a court having jurisdiction may grant other appropriate relief, including cancellation of the lease contract or an injunction against the transfer.

~~[(6)] (5)~~ A transfer of "the lease" or of "all my rights under the lease" or a transfer in similar

general terms, is a transfer of rights, and unless the language or the circumstances, as in a transfer for security, indicate the contrary, the transfer is a delegation of duties by the transferor to the transferee. Acceptance by the transferee constitutes a promise by the transferee to perform those duties. The promise is enforceable by either the transferor or the other party to the lease contract.

~~[(7)]~~ (6) Unless otherwise agreed by the lessor and the lessee, a delegation of performance does not relieve the transferor as against the other party of any duty to perform or any liability for default.

~~[(8)]~~ (7) In a consumer lease, to prohibit the transfer of an interest of a party under the lease contract, or to make a transfer an event of default, the language must be specific, by writing, and conspicuous.

Section 25. Section **70A-2a-307** is amended to read:

70A-2a-307. Priority of liens arising by attachment or levy on, security interests in, and other claims to goods.

(1) Except as otherwise provided in Section 70A-2a-306, a creditor of a lessee takes subject to the lease contract.

(2) Except as otherwise provided in ~~[Subsections]~~ Subsection (3) ~~[and (4)]~~ and in Sections 70A-2a-306 and 70A-2a-308, a creditor of a lessor takes subject to the lease contract unless~~[-(a)]~~ the creditor holds a lien that attached to the goods before the lease contract became enforceable~~[-]~~.

~~[(b) the creditor holds a security interest in the goods and the lessee did not give value and receive delivery of the goods without knowledge of the security interest; or]~~

~~[(c) the creditor holds a security interest in the goods that was perfected before the lease contract became enforceable.]~~

~~[(3) A lessee in the ordinary course of business takes the leasehold interest free of a security interest in the goods created by the lessor even though the security interest is perfected and the lessee knows of its existence.]~~

~~[(4) A lessee other than a lessee in the ordinary course of business takes the leasehold interest free of a security interest to the extent that it secures future advances made after the secured party acquires knowledge of the lease or more than 45 days after the lease contract becomes enforceable;~~

~~whichever first occurs, unless the future advances are made pursuant to a commitment entered into without knowledge of the lease and before the expiration of the 45-day period.]~~

(3) Except as otherwise provided in Sections 70A-9a-317, 70A-9a-321, and 70A-9a-323, a lessee takes a leasehold interest subject to a security interest held by a creditor of the lessor.

Section 26. Section **70A-2a-309** is amended to read:

70A-2a-309. Lessor's and lessee's rights when goods become fixtures.

(1) In this section:

(a) goods are "fixtures" when they become so related to particular real estate that an interest in them arises under real estate law;

(b) a "fixture filing" is the filing, in the office where a record of a mortgage on the real estate would be filed, recorded, or registered, of a financing statement covering goods that are or are to become fixtures and conforming to the requirements of [~~Subsection 70A-9-402 (5)~~] Subsections 70A-9a-502(1) and (2);

(c) a lease is a "purchase money lease" unless the lessee has possession or use of the goods or the right to possession or use of the goods before the lease agreement is enforceable;

(d) a mortgage is a "construction mortgage" to the extent it secures an obligation incurred for the construction of an improvement on land including the acquisition cost of the land, if the recorded writing so indicates; and

(e) "encumbrance" includes real estate mortgages and other liens on real estate and all other rights in real estate that are not ownership interests.

(2) Under this chapter, a lease may be of goods that are fixtures or may continue in goods that become fixtures, but no lease exists under this chapter of ordinary building materials incorporated into an improvement on land.

(3) This chapter does not prevent creation of a lease of fixtures pursuant to real estate law.

(4) The perfected interest of a lessor of fixtures has priority over a conflicting interest of an encumbrancer or owner of the real estate if:

(a) the lease is a purchase money lease, the conflicting interest of the encumbrancer or owner arises before the goods become fixtures, a fixture filing covering the fixtures is filed or recorded

before the goods become fixtures or within ten days thereafter, and the lessee has an interest of record

in the real estate or is in possession of the real estate; or

(b) the interest of the lessor is perfected by a fixture filing before the interest of the encumbrancer or owner is of record, the lessor's interest has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner, and the lessee has an interest of record in the real estate or is in possession of the real estate.

(5) The interest of a lessor of fixtures, whether or not perfected, has priority over the conflicting interest of an encumbrancer or owner of the real estate if:

(a) the fixtures are readily removable factory or office machines, readily removable equipment that is not primarily used or leased for use in the operation of the real estate, or readily removable replacements of domestic appliances that are goods subject to a consumer lease, and before the goods become fixtures the lease contract is enforceable;

(b) the conflicting interest is a lien on the real estate obtained by legal or equitable proceedings after the lease contract is enforceable;

(c) the encumbrancer or owner has consented in writing to the lease or has disclaimed an interest in the goods as fixtures; or

(d) the lessee has a right to remove the goods as against the encumbrancer or owner. If the lessee's right to remove terminates, the priority of the interest of the lessor continues for a reasonable time.

(6) Notwithstanding Subsection (4)(a), but otherwise subject to Subsections (4) and (5), the interest of a lessor of fixtures is subordinate to the conflicting interest of an encumbrancer of the real estate under a construction mortgage recorded before the goods become fixtures if the goods become fixtures before the completion of the construction. To the extent given to refinance a construction mortgage, the conflicting interest of an encumbrancer of the real estate under a mortgage has this priority to the same extent as the encumbrancer of the real estate under the construction mortgage.

(7) In cases not within the preceding subsections, priority between the interest of a lessor of fixtures, including the lessor's residual interest, and the conflicting interest of an encumbrancer or owner of the real estate who is not the lessee is determined by the priority rules governing conflicting

interests in real estate.

(8) If the interest of a lessor of fixtures, including the lessor's residual interest, has priority over all conflicting interests of all owners and encumbrances of the real estate, the lessor or the lessee may:

(a) on default, expiration, termination, or cancellation of the lease agreement but subject to the lease agreement and this chapter; or

(b) if necessary to enforce other rights and remedies of the lessor or lessee under this chapter, remove the goods from the real estate, free and clear of all conflicting interests of all owners and encumbrances of the real estate, but the lessor or lessee must reimburse any encumbrancer or owner of the real estate who is not the lessee and who has not otherwise agreed for the cost of repair of any physical injury, but not for any diminution in value of the real estate caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove the goods until the party seeking removal gives adequate security for the performance of this obligation.

(9) Even though the lease agreement does not create a security interest, the interest of a lessor of fixtures, including the lessor's residual interest, is perfected by filing a financing statement as a fixture filing for leased goods that are or are to become fixtures in accordance with the relevant provisions of Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions.

Section 27. Section **70A-3-605** is amended to read:

70A-3-605. Discharge of indorsers and accommodation parties.

(1) In this section, the term "indorser" includes a drawer having the obligation described in Subsection 70A-3-414(4).

(2) Discharge, under Section 70A-3-604, of the obligation of a party to pay an instrument does not discharge the obligation of an indorser or accommodation party having a right of recourse against the discharged party.

(3) If a person entitled to enforce an instrument agrees, with or without consideration, to an extension of the due date of the obligation of a party to pay the instrument, the extension discharges an indorser or accommodation party having a right of recourse against the party whose obligation is

extended to the extent the indorser or accommodation party proves that the extension caused loss to the indorser or accommodation party with respect to the right of recourse.

(4) If a person entitled to enforce an instrument agrees, with or without consideration, to a material modification of the obligation of a party other than an extension of the due date, the modification discharges the obligation of an indorser or accommodation party having a right of recourse against the person whose obligation is modified to the extent the modification causes loss to the indorser or accommodation party with respect to the right of recourse. The loss suffered by the indorser or accommodation party as a result of the modification is equal to the amount of the right of recourse unless the person enforcing the instrument proves that no loss was caused by the modification or that the loss caused by the modification was an amount less than the amount of the right of recourse.

(5) If the obligation of a party to pay an instrument is secured by an interest in collateral and a person entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of an indorser or accommodation party having a right of recourse against the obligor is discharged to the extent of the impairment. The value of an interest in collateral is impaired to the extent the value of the interest is reduced to an amount less than the amount of the right of recourse of the party asserting discharge, or the reduction in value of the interest causes an increase in the amount by which the amount of the right of recourse exceeds the value of the interest. The burden of proving impairment is on the party asserting discharge.

(6) If the obligation of a party is secured by an interest in collateral not provided by an accommodation party and a person entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of any party who is jointly and severally liable with respect to the secured obligation is discharged to the extent the impairment causes the party asserting discharge to pay more than that party would have been obliged to pay, taking into account rights of contribution, if impairment had not occurred. If the party asserting discharge is an accommodation party not entitled to discharge under Subsection (5), the party is deemed to have a right to contribution based on joint and several liability rather than a right to reimbursement. The burden of proving impairment is on the party asserting discharge.

(7) Under Subsection (5) or (6), impairing value of an interest in collateral includes failure to obtain or maintain perfection or recordation of the interest in collateral, release of collateral without substitution of collateral of equal value, failure to perform a duty to preserve the value of collateral owed, under Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, or other law, to a debtor or surety or other person secondarily liable, or failure to comply with applicable law in disposing of collateral.

(8) An accommodation party is not discharged under Subsection (3), (4), or (5) unless the person entitled to enforce the instrument knows of the accommodation or has notice under Subsection 70A-3-419(3) that the instrument was signed for accommodation.

(9) A party is not discharged under this section if the party asserting discharge consents to the event or conduct that is the basis of the discharge, or the instrument or a separate agreement of the party provides for waiver of discharge under this section either specifically or by general language indicating that parties waive defenses based on suretyship or impairment of collateral.

Section 28. Section **70A-4-210** is amended to read:

70A-4-210. Security interest of collecting bank in items, accompanying documents, and proceeds.

(1) A collecting bank has a security interest in an item and any accompanying documents or the proceeds of either:

(a) in case of an item deposited in an account, to the extent to which credit given for the item has been withdrawn or applied;

(b) in case of an item for which it has given credit available for withdrawal as of right, to the extent of the credit given, whether or not the credit is drawn upon or there is a right of charge-back;
or

(c) if it makes an advance on or against the item.

(2) If credit given for several items received at one time or pursuant to a single agreement is withdrawn or applied in part, the security interest remains upon all the items, any accompanying documents or the proceeds of either. For the purpose of this section, credits first given are first withdrawn.

(3) Receipt by a collecting bank of a final settlement for an item is a realization on its security interest in the item, accompanying documents, and proceeds. So long as the bank does not receive final settlement for the item or give up possession of the item or accompanying documents for purposes other than collection, the security interest continues to that extent and is subject to Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, but:

(a) no security agreement is necessary to make the security interest enforceable, Subsection [~~70A-9-203(1)(a)~~] 70A-9a-203(2)(c)(i);

(b) no filing is required to perfect the security interest; and

(c) the security interest has priority over conflicting perfected security interests in the item, accompanying documents, or proceeds.

Section 29. Section **70A-5-114** is amended to read:

70A-5-114. Assignment of proceeds.

(1) In this section, "proceeds of a letter of credit" means the cash, check, accepted draft, or other item of value paid or delivered upon honor or giving of value by the issuer or any nominated person under the letter of credit. The term does not include a beneficiary's drawing rights or documents presented by the beneficiary.

(2) A beneficiary may assign its right to part or all of the proceeds of a letter of credit. The beneficiary may do so before presentation as a present assignment of its right to receive proceeds contingent upon its compliance with the terms and conditions of the letter of credit.

(3) An issuer or nominated person need not recognize an assignment of proceeds of a letter of credit until it consents to the assignment.

(4) An issuer or nominated person has no obligation to give or withhold its consent to an assignment of proceeds of a letter of credit, but consent may not be unreasonably withheld if the assignee possesses and exhibits the letter of credit and presentation of the letter of credit is a condition to honor.

(5) Rights of a transferee beneficiary or nominated person are independent of the beneficiary's assignment of the proceeds of a letter of credit and are superior to the assignee's right to the proceeds.

(6) Neither the rights recognized by this section between an assignee and an issuer, transferee beneficiary, or nominated person nor the issuer's or nominated person's payment of proceeds to an assignee or a third person affect the rights between the assignee and any person other than the issuer, transferee beneficiary, or nominated person. The mode of creating and perfecting a security interest in or granting an assignment of a beneficiary's rights to proceeds is governed by Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, or other law. Against persons other than the issuer, transferee beneficiary, or nominated person, the rights and obligations arising upon the creation of a security interest or other assignment of a beneficiary's right to proceeds and its perfection are governed by Title 70A, Chapter 9a, Uniform Commercial Code -- Secured Transactions, or other law.

Section 30. Section **70A-5-118** is repealed and reenacted to read:

70A-5-118. Security interest of issuer or nominated person.

(1) An issuer or nominated person has a security interest in a document presented under a letter of credit to the extent that the issuer or nominated person honors or gives value for the presentation.

(2) So long as and to the extent that an issuer or nominated person has not been reimbursed or has not otherwise recovered the value given with respect to a security interest in a document under Subsection (1), the security interest continues and is subject to Chapter 9, but:

(a) a security agreement is not necessary to make the security interest enforceable under Subsection 70A-9a-203(2)(c);

(b) if the document is presented in a medium other than a written or other tangible medium, the security interest is perfected; and

(c) if the document is presented in a written or other tangible medium and is not a certificated security, chattel paper, a document of title, an instrument, or a letter of credit, the security interest is perfected and has priority over a conflicting security interest in the document so long as the debtor does not have possession of the document.

Section 31. Section **70A-5-119** is repealed and reenacted to read:

70A-5-119. Applicability.

This act applies to a letter of credit that is issued on or after July 1, 1997. This act does not apply to a transaction, event, obligation, or duty arising out of or associated with a letter of credit that was issued before July 1, 1997.

Section 32. Section **70A-5-120** is enacted to read:

70A-5-120. Savings clause.

A transaction arising out of or associated with a letter of credit that was issued before July 1, 1997, and the rights, obligations, and interests flowing from that transaction are governed by any statute or other law amended or repealed by this act as if repeal or amendment had not occurred and may be terminated, completed, consummated, or enforced under that statute or other law.

Section 33. Section **70A-7-503** is amended to read:

70A-7-503. Document of title to goods defeated in certain cases.

(1) A document of title confers no right in goods against a person who before issuance of the document had a legal interest or a perfected security interest in them and who neither

(a) delivered or entrusted them or any document of title covering them to the bailor or his nominee with actual or apparent authority to ship, store or sell or with power to obtain delivery under this chapter (Section 70A-7-403) or with power of disposition under this act (Sections 70A-2-403 and [~~70A-9-307~~] 70A-9a-320) or other statute or rule of law; nor

(b) acquiesced in the procurement by the bailor or his nominee of any document of title.

(2) Title to goods based upon an unaccepted delivery order is subject to the rights of anyone to whom a negotiable warehouse receipt or bill of lading covering the goods has been duly negotiated. Such a title may be defeated under the next section to the same extent as the rights of the issuer or a transferee from the issuer.

(3) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of anyone to whom a bill issued by the freight forwarder is duly negotiated; but delivery by the carrier in accordance with Part 4 of this chapter pursuant to its own bill of lading discharges the carrier's obligation to deliver.

Section 34. Section **70A-8-102** is amended to read:

70A-8-102. Rules for determining whether certain obligations and interests are

securities or financial assets.

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

(2) An "investment company security" is a security. "Investment company security" means a share or similar equity interest issued by an entity that is registered as an investment company under the federal investment company laws, an interest in a unit investment trust that is so registered, or a face-amount certificate issued by a face-amount certificate company that is so registered. Investment company security does not include an insurance policy or endowment policy or annuity contract issued by an insurance company.

(3) An interest in a partnership or limited liability company is not a security unless it is dealt in or traded on securities exchanges or in securities markets, its terms expressly provide that it is a security governed by this chapter, or it is an investment company security. However, an interest in a partnership or limited liability company is a financial asset if it is held in a securities account.

(4) A writing that is a security certificate is governed by this chapter and not by Chapter 3, even though it also meets the requirements of that chapter. However, a negotiable instrument governed by Chapter 3 is a financial asset if it is held in a securities account.

(5) An option or similar obligation issued by a clearing corporation to its participants is not a security, but is a financial asset.

(6) A commodity contract, as defined in [~~Section 70A-9-114~~] Subsection 70A-9a-102(15), is not a security or a financial asset.

Section 35. Section **70A-8-105** is amended to read:

70A-8-105. Control.

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

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

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

(b) the certificate is registered in the name of the purchaser, upon original issue or registration

of transfer by the issuer.

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

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

(b) the issuer has agreed that it will comply with instructions originated by the purchaser

without further consent by the registered owner.

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

(a) the purchaser becomes the entitlement holder; ~~or~~

(b) the securities intermediary has agreed that it will comply with entitlement orders originated by the purchaser without further consent by the entitlement holder~~[-]; or~~

(c) another person has control of the security entitlement on behalf of the purchaser or, having previously acquired control of the security entitlement, acknowledges that it has control on behalf of the purchaser.

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

(6) A purchaser who has satisfied the requirements of Subsection (3)(b) or (4)(b) has control even if the registered owner in the case of Subsection (3)(b) or the entitlement holder in the case of Subsection (4)(b) retains the right to make substitutions for the uncertificated security or security entitlement, to originate instructions or entitlement orders to the issuer or securities intermediary, or otherwise to deal with the uncertificated security or security entitlement.

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

Section 36. Section **70A-8-109** is amended to read:

70A-8-109. Applicability -- Choice of law.

(1) The local law of the issuer's jurisdiction, as specified in Subsection (4), governs:

(a) the validity of a security;

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

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

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

(e) 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.

(2) The local law of the securities intermediary's jurisdiction, as specified in Subsection (5), governs:

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

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

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

(d) 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.

(3) 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.

(4) "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 Subsections (1)(b) through (e).

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

(a) If an agreement between the securities intermediary and its entitlement holder [~~specifies that it is governed by the law of a particular jurisdiction~~] governing the securities account expressly

provides that a particular jurisdiction is the securities intermediary's jurisdiction for purposes of this part, this chapter, or this title, that jurisdiction is the securities intermediary's jurisdiction.

(b) If Subsection (5)(a) 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.

~~[(b)]~~ (c) If neither Subsection (5)(a) nor Subsection (5)(b) applies and an agreement between the securities intermediary and its entitlement holder [does not specify the governing law as provided in Subsection (a), but] governing the securities account expressly [specifies] provides that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

~~[(c)]~~ (d) If ~~[an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in Subsection (a) or (b)]~~ Subsections (5)(a) through (c) do not apply, the securities intermediary's jurisdiction is the jurisdiction in which ~~[is located]~~ the office identified in an account statement as the office serving the entitlement holder's account is located.

~~[(d)]~~ (e) If ~~[an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in Subsection (a) or (b) and an account statement does not identify an office serving the entitlement holder's account as provided in Subsection (c)]~~ Subsections (5)(a) through (d) do not apply, the securities intermediary's jurisdiction is the jurisdiction in which ~~[is located]~~ the chief executive office of the securities intermediary is located.

(6) 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.

Section 37. Section **70A-8-301** is amended to read:

70A-8-301. Delivery.

(1) Delivery of a certificated security to a purchaser occurs when:

(a) the purchaser acquires possession of the security certificate;

(b) another person, other than a securities intermediary, either acquires possession of the security certificate on behalf of the purchaser or, having previously acquired possession of the certificate, acknowledges that it holds for the purchaser; or

(c) a securities intermediary acting on behalf of the purchaser acquires possession of the security certificate, only if the certificate is in registered form and ~~[has been]~~ is:

(i) registered in the name of the purchaser;

(ii) payable to the order of the purchaser; or

(iii) specially indorsed to the purchaser by an effective indorsement and has not been indorsed to the securities intermediary or in blank.

(2) Delivery of an uncertificated security to a purchaser occurs when:

(a) the issuer registers the purchaser as the registered owner, upon original issue or registration of transfer; or

(b) another person, other than a securities intermediary, either becomes the registered owner of the uncertificated security on behalf of the purchaser or, having previously become the registered owner, acknowledges that it holds for the purchaser.

Section 38. Section **70A-8-302** is amended to read:

70A-8-302. Rights of purchaser.

(1) Except as otherwise provided in Subsections (2) and (3), ~~[upon delivery]~~ a purchaser of a certificated or uncertificated security ~~[to a purchaser, the purchaser]~~ acquires all rights in the security that the transferor had or had power to transfer.

(2) A purchaser of a limited interest acquires rights only to the extent of the interest purchased.

(3) A purchaser of a certificated security who as a previous holder had notice of an adverse claim does not improve its position by taking from a protected purchaser.

Section 39. Section **70A-8-510** is amended to read:

70A-8-510. Rights of purchaser of security entitlement from entitlement holder.

(1) ~~[An]~~ In a case not covered by the priority rules in Chapter 9a, Uniform Commercial Code -- Secured Transactions, or the rules stated in Subsection (3), an action based on an adverse claim

to a financial asset or security entitlement, whether framed in conversion, replevin, constructive trust, equitable lien, or other theory, may not be asserted against a person who purchases a security entitlement, or an interest therein, from an entitlement holder if the purchaser gives value, does not have notice of the adverse claim, and obtains control.

(2) If an adverse claim could not have been asserted against an entitlement holder under Section 70A-8-502, the adverse claim cannot be asserted against a person who purchases a security entitlement, or an interest therein, from the entitlement holder.

(3) In a case not covered by the priority rules in Chapter 9a, Uniform Commercial Code -- Secured Transactions, a purchaser for value of a security entitlement, or an interest therein, who obtains control has priority over a purchaser of a security entitlement, or an interest therein, who does not obtain control. ~~[Purchasers]~~ Except as otherwise provided in Subsection (4), purchasers who have control rank [equally, except that a] according to priority in time of:

(a) the purchaser's becoming the person for whom the securities account, in which the security entitlement is carried, is maintained, if the purchaser obtained control under Subsection 70A-8-105(4)(a);

(b) the securities intermediary's agreement to comply with the purchaser's entitlement orders with respect to security entitlements carried or to be carried in the securities account in which the security entitlement is carried, if the purchaser obtained control under Subsection 70A-8-105(4)(b);
or

(c) if the purchaser obtained control through another person under Subsection 70A-8-105(4)(c), the time on which priority would be based under this subsection if the other person were the secured party.

(4) A securities intermediary as purchaser has priority over a conflicting purchaser who has control unless otherwise agreed by the securities intermediary.

Section 40. Section **70A-9a-101** is enacted to read:

CHAPTER 9a. UNIFORM COMMERCIAL CODE -- SECURED TRANSACTIONS

Part 1. General Provisions

70A-9a-101. Title.

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

Section 41. Section **70A-9a-102** is enacted to read:

70A-9a-102. Definitions and index of definitions.

In this chapter:

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

(2) (a) "Account," except as used in "account for," 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.

(b) "Account" includes health-care-insurance receivables.

(c) "Account" does not include:

(i) rights to payment evidenced by chattel paper or an instrument;

(ii) commercial tort claims;

(iii) deposit accounts;

(iv) investment property;

(v) letter-of-credit rights or letters of credit; or

(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.

(3) (a) "Account debtor" means a person obligated on an account, chattel paper, or general intangible.

(b) "Account debtor" does not include persons obligated to pay a negotiable instrument, even if the instrument constitutes part of chattel paper.

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

(a) authenticated by a secured party;

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

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

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

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

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

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

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

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

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

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

(6) "As-extracted collateral" means:

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

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

(ii) attaches to the minerals as extracted; or

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

(7) "Authenticate" means:

(a) to sign; or

(b) to execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole

or in part, with the present intent of the authenticating person to identify the person and adopt or accept a record.

(8) (a) "Bank" means an organization that is engaged in the business of banking.

(b) "Bank" includes:

(i) a depository institution as defined in Section 7-1-103; and

(ii) a trust company.

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

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

(11) (a) "Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. In this Subsection (11), "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods.

(b) "Chattel paper" does not include:

(i) charters or other contracts involving the use or hire of a vessel; or

(ii) records that evidence a right to payment arising out of the use of a credit or charge card or information contained or for use with the card.

(c) If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

(12) "Collateral" means the property subject to a security interest or agricultural lien.

"Collateral" includes:

(a) proceeds to which a security interest attaches;

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

and

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

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

(a) the claimant is an organization; or

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

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

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

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

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

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

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

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

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

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

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

(18) "Communicate" means:

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

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

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

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

(20) "Consignment" means a transaction, regardless of its form, in which a person delivers

goods to a merchant for the purpose of sale and:

(a) the merchant:

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

delivery:

(ii) is not an auctioneer; and

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

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

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

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

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

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

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

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

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

and

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

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

(26) (a) "Consumer transaction" means a transaction in which:

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

(ii) a security interest secures the obligation; and

(iii) the collateral is held or acquired primarily for personal, family, or household purposes.

(b) "Consumer transaction" includes consumer-goods transactions.

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

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

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

(28) "Debtor" means:

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

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

(c) a consignee.

(29) (a) "Deposit account" means a demand, time, savings, passbook, or similar account maintained with a bank.

(b) "Deposit account" does not include investment property or accounts evidenced by an instrument.

(30) "Document" means a document of title or a receipt of the type described in Subsection 70A-7-201(2).

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

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

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

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

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

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

(ii) aquatic goods produced in aquacultural operations;

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

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

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

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

(36) "File number" means the number assigned to an initial financing statement pursuant to Subsection 70A-9a-519(1).

(37) "Filing office" means an office designated in Section 70A-9a-501 as the place to file a financing statement.

(38) "Filing-office rule" means a rule adopted pursuant to Section 70A-9a-526.

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

(40) (a) "Fixture filing" means the filing of a financing statement covering goods that are or are to become fixtures and satisfying Subsections 70A-9a-502(1) and (2).

(b) "Fixture filing" includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

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

(42) (a) "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.

(b) "General intangible" includes payment intangibles and software.

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

(44) (a) "Goods" means all things that are movable when a security interest attaches.

(b) "Goods" includes:

(i) fixtures;

(ii) standing timber that is to be cut and removed under a conveyance or contract for sale;

(iii) the unborn young of animals;

(iv) crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes; and

(v) manufactured homes.

(c) "Goods" also includes a computer program embedded in goods and any supporting information provided in connection with a transaction relating to the program if:

(i) the program is associated with the goods in such a manner that it customarily is considered part of the goods; or

(ii) by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods.

(d) "Goods" does not include a computer program embedded in goods that consist solely of the medium in which the program is embedded.

(e) "Goods" also does not include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction.

(45) (a) "Governmental unit" means a subdivision, agency, department, county, parish, municipality, or other unit of the government of the United States, a state, or a foreign country.

(b) "Governmental unit" includes an organization having a separate corporate existence if the organization is eligible to issue debt on which interest is exempt from income taxation under the laws of the United States.

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

(47) (a) "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.

(b) "Instrument" does not include:

(i) investment property;

(ii) letters of credit; or

(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.

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

(a) are leased by a person as lessor;

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

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

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

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

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

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

(b) "Letter-of-credit right" does not include the right of a beneficiary to demand payment or performance under a letter of credit.

(52) "Lien creditor" means:

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

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

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

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

(53) (a) "Manufactured home" means a structure, transportable in one or more sections, which, in the traveling mode, is eight body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

(b) "Manufactured home" includes any structure that meets all of the requirements of this Subsection (53) except the size requirements and with respect to which the manufacturer voluntarily

files a certification required by the United States Secretary of Housing and Urban Development and complies with the standards established under Title 42 of the United States Code.

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

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

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

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

(56) "New debtor" means a person that becomes bound as debtor under Subsection 70A-9a-203(4) by a security agreement previously entered into by another person.

(57) (a) "New value" means:

(i) money;

(ii) money's worth in property, services, or new credit; or

(iii) release by a transferee of an interest in property previously transferred to the transferee.

(b) "New value" does not include an obligation substituted for another obligation.

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

(59) (a) "Obligor" means a person that, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral:

(i) owes payment or other performance of the obligation;

(ii) has provided property other than the collateral to secure payment or other performance of the obligation; or

(iii) is otherwise accountable in whole or in part for payment or other performance of the obligation.

(b) "Obligor" does not include issuers or nominated persons under a letter of credit.

(60) "Original debtor," except as used in Subsection 70A-9a-310(3), means a person that, as debtor, entered into a security agreement to which a new debtor has become bound under Subsection 70A-9a-203(4).

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

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

(a) the spouse of the individual;

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

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

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

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

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

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

(c) an officer or director of, or a person performing similar functions with respect to, a person described in Subsection (63)(a);

(d) the spouse of an individual described in Subsection (63)(a), (b), or (c); or

(e) an individual who is related by blood or marriage to an individual described in Subsection (63)(a), (b), (c), or (d) and shares the same home with the individual.

(64) "Proceeds," except as used in Subsection 70A-9a-609(2), 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 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 70A-9a-620, 70A-9a-621, and 70A-9a-622.

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

(a) debt securities are issued;

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

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

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

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

(70) "Registered organization" means an organization organized solely under the law of a single state or the United States and as to which the state or the United States must maintain a public record showing the organization to have been organized.

(71) "Secondary obligor" means an obligor to the extent that:

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

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

(72) "Secured party" means:

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

(b) a person that holds an agricultural lien;

(c) a consignor;

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

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

(f) a person that holds a security interest arising under Section 70A-2-401, 70A-2-505, 70A-4-210, or 70A-5-118 or Subsection 70A-2-711(3) or 70A-2a-508(5).

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

(74) "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 Subsection (74)(a).

(75) (a) "Software" means a computer program and any supporting information provided in connection with a transaction relating to the program.

(b) "Software" does not include a computer program that is included in the definition of goods.

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

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

(78) "Tangible chattel paper" means chattel paper evidenced by a record or records consisting

of information that is inscribed on a tangible medium.

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

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

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

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

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

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

(c) transmitting goods by pipeline or sewer; or

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

Section 42. Section **70A-9a-102.1** is enacted to read:

70A-9a-102.1. Definitions from other chapters.

(1) The following definitions in other chapters of this title apply to this chapter:

(a) "Applicant" Section 70A-5-102.

(b) "Beneficiary" Section 70A-5-102.

(c) "Broker" Section 70A-8-101.

(d) "Certificated security" Section 70A-8-101.

(e) "Check" Section 70A-3-104.

(f) "Clearing corporation" Section 70A-8-101.

(g) "Contract for sale" Section 70A-2-106.

(h) "Customer" Section 70A-4-104.

(i) "Entitlement holder" Section 70A-8-101.

(j) "Financial asset" Section 70A-8-101.

(k) "Holder in due course" Section 70A-3-302.

(l) (i) "Issuer" (with respect to a letter of credit or letter-of-credit right) Section 70A-5-102.

(ii) "Issuer" (with respect to a security) Section 70A-8-201.

(m) "Lease" Section 70A-2a-103.

(n) "Lease agreement" Section 70A-2a-103.

- (o) "Lease contract" Section 70A-2a-103.
- (p) "Leasehold interest" Section 70A-2a-103.
- (q) "Lessee" Section 70A-2a-103.
- (r) "Lessee in ordinary course of business" Section 70A-2a-103.
- (s) "Lessor" Section 70A-2a-103.
- (t) "Lessor's residual interest" Section 70A-2a-103.
- (u) "Letter of credit" Section 70A-5-102.
- (v) "Merchant" Section 70A-2-104.
- (w) "Negotiable instrument" Section 70A-3-104.
- (x) "Nominated person" Section 70A-5-102.
- (y) "Note" Section 70A-3-104.
- (z) "Proceeds of a letter of credit" Section 70A-5-114.
- (aa) "Prove" Section 70A-3-103.
- (bb) "Sale" Section 70A-2-106.
- (cc) "Securities account" Section 70A-8-501.
- (dd) "Securities intermediary" Section 70A-8-101.
- (ee) "Security" Section 70A-8-101.
- (ff) "Security certificate" Section 70A-8-101.
- (gg) "Security entitlement" Section 70A-8-101.
- (hh) "Uncertificated security" Section 70A-8-101.

(2) Chapter 1 contains general definitions and principles of construction and interpretation applicable throughout this chapter.

Section 43. Section **70A-9a-103** is enacted to read:

70A-9a-103. Purchase-money security interest -- Application of payments -- Burden of establishing.

(1) In this section:

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

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

(2) A security interest in goods is a purchase-money security interest:

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

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

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

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

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

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

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

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

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

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

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

(i) to obligations that are not secured; and
(ii) if more than one obligation is secured, to obligations secured by purchase-money security interests in the order in which those obligations were incurred.

(6) In a transaction other than a consumer-goods transaction, a purchase-money security interest does not lose its status as such, even if:

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

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

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

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

(8) The limitation of the rules in Subsections (5), (6), and (7) to transactions other than consumer-goods transactions is intended to leave to the court the determination of the proper rules in consumer-goods transactions. The court may not infer from that limitation the nature of the proper rule in consumer-goods transactions and may continue to apply established approaches.

Section 44. Section **70A-9a-104** is enacted to read:

70A-9a-104. Control of deposit account.

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

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

(b) the debtor, secured party, and bank have agreed in an authenticated 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; or

(c) the secured party becomes the bank's customer with respect to the deposit account.

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

Section 45. Section **70A-9a-105** is enacted to read:

70A-9a-105. Control of electronic chattel paper.

A secured party has control of electronic chattel paper if the record or records comprising 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 Subsections (4), (5), and (6), unalterable;
- (2) the authoritative copy identifies the secured party as the assignee of the record or records;
- (3) the authoritative copy is communicated to and maintained by the secured party or its designated custodian;
- (4) copies or revisions that add or change an identified assignee of the authoritative copy can be made only with the participation of the secured party;
- (5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy; and
- (6) any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

Section 46. Section **70A-9a-106** is enacted to read:

70A-9a-106. Control of investment property.

- (1) A person has control of a certificated security, uncertificated security, or security entitlement as provided in Section 70A-8-105.
- (2) A secured party has control of a commodity contract if:
 - (a) the secured party is the commodity intermediary with which the commodity contract is carried; or
 - (b) the commodity customer, secured party, and commodity intermediary have agreed that the commodity intermediary will apply any value distributed on account of the commodity contract as directed by the secured party without further consent by the commodity customer.
- (3) A secured party having control of all security entitlements or commodity contracts carried in a securities account or commodity account has control over the securities account or commodity account.

Section 47. Section **70A-9a-107** is enacted to read:

70A-9a-107. Control of letter-of-credit right.

A secured party has control of a letter-of-credit right to the extent of any right to payment or performance by the issuer or any nominated person if the issuer or nominated person has consented to an assignment of proceeds of the letter of credit under Subsection 70A-5-114(3) or otherwise applicable law or practice.

Section 48. Section **70A-9a-108** is enacted to read:

70A-9a-108. Sufficiency of description.

(1) Except as otherwise provided in Subsections (3), (4), and (5), a description of personal or real property is sufficient, whether or not it is specific, if it reasonably identifies what is described.

(2) Except as otherwise provided in Subsection (4), a description of collateral reasonably identifies the collateral if it identifies the collateral by:

(a) specific listing;

(b) category;

(c) except as otherwise provided in Subsection (5), a type of collateral defined in this title;

(d) quantity;

(e) computational or allocational formula or procedure; or

(f) except as otherwise provided in Subsection (3), any other method, if the identity of the collateral is objectively determinable.

(3) A description of collateral as "all the debtor's assets" or "all the debtor's personal property" or using words of similar import does not reasonably identify the collateral.

(4) Except as otherwise provided in Subsection (5), a description of a security entitlement, securities account, or commodity account is sufficient if it describes:

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

(b) the underlying financial asset or commodity contract.

(5) A description only by type of collateral defined in this title is an insufficient description of:

(a) a commercial tort claim; or

(b) in a consumer transaction, consumer goods, a security entitlement, a securities account, or a commodity account.

Section 49. Section **70A-9a-109** is enacted to read:

70A-9a-109. Scope.

(1) Except as otherwise provided in Subsections (3) and (4), this chapter applies to:

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

(b) an agricultural lien;

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

(d) a consignment;

(e) a security interest arising under Section 70A-2-401 or 70A-2-505 or Subsection 70A-2-711(3) or 70A-2a-508(5), as provided in Section 70A-9a-110; and

(f) a security interest arising under Section 70A-4-210 or 70A-5-118.

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

(3) This chapter does not apply to the extent that:

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

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

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

(d) the rights of a transferee beneficiary or nominated person under a letter of credit are independent and superior under Section 70A-5-114.

(4) This chapter does not apply to:

(a) a landlord's lien, other than an agricultural lien;

(b) a lien, other than an agricultural lien, given by statute or other rule of law for services or materials, but Section 70A-9a-333 applies with respect to priority of the lien;

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

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

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

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

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

(h) a transfer of an interest in or an assignment of a claim under a policy of insurance, other than an assignment by or to a health-care provider of a health-care-insurance receivable and any subsequent assignment of the right to payment, but Sections 70A-9a-315 and 70A-9a-322 apply with respect to proceeds and priorities in proceeds;

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

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

(i) Section 70A-9a-340 applies with respect to the effectiveness of rights of recoupment or set-off against deposit accounts; and

(ii) Section 70A-9a-404 applies with respect to defenses or claims of an account debtor;

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

(i) liens on real property in Sections 70A-9a-203 and 70A-9a-308;

(ii) fixtures in Section 70A-9a-334;

(iii) fixture filings in Sections 70A-9a-501, 70A-9a-502, 70A-9a-512, 70A-9a-516, and 70A-9a-519; and

(iv) security agreements covering personal and real property in Section 70A-9a-604;

(l) an assignment of a claim arising in tort, other than a commercial tort claim, but Sections 70A-9a-315 and 70A-9a-322 apply with respect to proceeds and priorities in proceeds; or

(m) an assignment of a deposit account in a consumer transaction, but Sections 70A-9a-315 and 70A-9a-322 apply with respect to proceeds and priorities in proceeds.

Section 50. Section **70A-9a-110** is enacted to read:

70A-9a-110. Security interests arising under Chapter 2 or 2a.

A security interest arising under Section 70A-2-401 or 70A-2-505, or Subsection 70A-2-711(3) or 70A-2a-508(5) is subject to this chapter. However, until the debtor obtains possession of the goods:

(1) the security interest is enforceable, even if Subsection 70A-9a-203(2)(c) has not been satisfied;

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

(3) the rights of the secured party after default by the debtor are governed by Chapter 2 or 2a; and

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

Section 51. Section **70A-9a-201** is enacted to read:

Part 2. Effectiveness of Security Agreement -- Attachment of Security Interest -- Rights of Parties to Security Agreement

70A-9a-201. General effectiveness of security agreement.

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

(2) A transaction subject to this chapter is subject to:

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

(b) Title 70C, Utah Consumer Credit Code.

(3) In case of conflict between this chapter and a rule of law, statute, or regulation described in Subsection (2), the rule of law, statute, or regulation controls. Failure to comply with a statute or regulation described in Subsection (2) has only the effect the statute or regulation specifies.

(4) This chapter does not:

(a) validate any rate, charge, agreement, or practice that violates a rule of law, statute, or regulation described in Subsection (2); or

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

Section 52. Section **70A-9a-202** is enacted to read:

70A-9a-202. Title to collateral immaterial.

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

Section 53. Section **70A-9a-203** is enacted to read:

70A-9a-203. Attachment and enforceability of security interest -- Proceeds --

Supporting obligations -- Formal requisites.

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

(2) Except as otherwise provided in Subsections (3) through (9), a security interest is enforceable against the debtor and third parties with respect to the collateral only if:

(a) value has been given;

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

(c) one of the following conditions is met:

(i) the debtor has authenticated 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;

(ii) the collateral is not a certificated security and is in the possession of the secured party under Section 70A-9a-313 pursuant to the debtor's security agreement;

(iii) the collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under Section 70A-8-301 pursuant to the debtor's security agreement; or

(iv) the collateral is deposit accounts, electronic chattel paper, investment property, or

letter-of-credit rights, and the secured party has control under Section 70A-9a-104, 70A-9a-105, 70A-9a-106, or 70A-9a-107 pursuant to the debtor's security agreement.

(3) Subsection (2) is subject to Section 70A-4-210 on the security interest of a collecting bank, Section 70A-5-118 on the security interest of a letter-of-credit issuer or nominated person, Section 70A-9a-110 on a security interest arising under Chapter 2 or 2a, and Section 70A-9a-206 on security interests in investment property.

(4) A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than this chapter or by contract:

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

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

(5) If a new debtor becomes bound as debtor by a security agreement entered into by another person:

(a) the agreement satisfies Subsection (2)(c) with respect to existing or after-acquired property of the new debtor to the extent the property is described in the agreement; and

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

(6) The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by Section 70A-9a-315 and is also attachment of a security interest in a supporting obligation for the collateral.

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

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

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

Section 54. Section **70A-9a-204** is enacted to read:

70A-9a-204. After-acquired property -- Future advances.

(1) Except as otherwise provided in Subsection (2), a security agreement may create or provide for a security interest in after-acquired collateral.

(2) A security interest does not attach under a term constituting an after-acquired property clause to:

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

(b) a commercial tort claim.

(3) 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 55. Section **70A-9a-205** is enacted to read:

70A-9a-205. Use or disposition of collateral permissible.

(1) A security interest is not invalid or fraudulent against creditors solely because:

(a) the debtor has the right or ability to:

(i) use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods;

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

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

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

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

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

Section 56. Section **70A-9a-206** is enacted to read:

70A-9a-206. Security interest arising in purchase or delivery of financial asset.

(1) A security interest in favor of a securities intermediary attaches to a person's security entitlement if:

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

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

(2) The security interest described in Subsection (1) secures the person's obligation to pay for the financial asset.

(3) A security interest in favor of a person that delivers a certificated security or other financial asset represented by a writing attaches to the security or other financial asset if:

(a) the security or other financial asset:

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

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

(b) the agreement calls for delivery against payment.

(4) The security interest described in Subsection (3) secures the obligation to make payment for the delivery.

Section 57. Section **70A-9a-207** is enacted to read:

70A-9a-207. Rights and duties of secured party having possession or control of collateral.

(1) Except as otherwise provided in Subsection (4), a secured party shall use reasonable care in the custody and preservation of collateral in the secured party's possession. In the case of chattel paper or an instrument, reasonable care includes taking necessary steps to preserve rights against prior parties unless otherwise agreed.

(2) Except as otherwise provided in Subsection (4), if a secured party has possession of collateral:

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

the debtor and are secured by the collateral;

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

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

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

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

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

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

(3) Except as otherwise provided in Subsection (4), a secured party having possession of collateral or control of collateral under Section 70A-9a-104, 70A-9a-105, 70A-9a-106, or 70A-9a-107:

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

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

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

(4) If the secured party is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

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

(i) to charge back uncollected collateral; or

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

(b) Subsections (2) and (3) do not apply.

Section 58. Section **70A-9a-208** is enacted to read:

70A-9a-208. Additional duties of secured party having control of collateral.

(1) 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.

(2) Within ten days after receiving an authenticated demand by the debtor:

(a) a secured party having control of a deposit account under Subsection 70A-9a-104(1)(b) shall send to the bank with which the deposit account is maintained an authenticated statement that releases the bank from any further obligation to comply with instructions originated by the secured party;

(b) a secured party having control of a deposit account under Subsection 70A-9a-104(1)(c) shall:

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

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

(c) a secured party, other than a buyer, having control of electronic chattel paper under Section 70A-9a-105 shall:

(i) communicate the authoritative copy of the electronic chattel paper to the debtor or its designated custodian;

(ii) if the debtor designates a custodian that is the designated custodian with which the authoritative copy of the electronic chattel paper is maintained for the secured party, communicate to the custodian an authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by the secured party and instructing the custodian to comply with instructions originated by the debtor; and

(iii) take appropriate action to enable the debtor or its designated custodian to make copies of or revisions to the authoritative copy which add or change an identified assignee of the authoritative copy without the consent of the secured party;

(d) a secured party having control of investment property under Subsection 70A-8-105(4)(b) or 70A-9a-106(2) shall send to the securities intermediary or commodity intermediary with which the security entitlement or commodity contract is maintained an authenticated 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; and

(e) a secured party having control of a letter-of-credit right under Section 70A-9a-107 shall

send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party.

Section 59. Section **70A-9a-209** is enacted to read:

70A-9a-209. Duties of secured party if account debtor has been notified of assignment.

(1) Except as otherwise provided in Subsection (3), this section applies if:

(a) there is no outstanding secured obligation; and

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

(2) Within ten days after receiving an authenticated demand by the debtor, a secured party shall send to an account debtor that has received notification of an assignment to the secured party as assignee under Subsection 70A-9a-406(1) an authenticated record that releases the account debtor from any further obligation to the secured party.

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

Section 60. Section **70A-9a-210** is enacted to read:

70A-9a-210. Request for accounting -- Request regarding list of collateral or statement of account.

(1) In this section:

(a) "Request" means a record of a type described in Subsection (1)(b), (c), or (d).

(b) "Request for an accounting" means a record authenticated 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.

(c) "Request regarding a list of collateral" means a record authenticated 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.

(d) "Request regarding a statement of account" means a record authenticated 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.

(2) Subject to Subsections (3), (4), (5), and (6), 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:

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

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

(3) 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 an authenticated record including a statement to that effect within 14 days after receipt.

(4) 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 an authenticated record:

(a) disclaiming any interest in the collateral; and

(b) 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.

(5) 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 an authenticated record:

(a) disclaiming any interest in the obligations; and

(b) 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.

(6) 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 61. Section **70A-9a-301** is enacted to read:

Part 3. Perfection and Priority

70A-9a-301. Law governing perfection and priority of security interests.

Except as otherwise provided in Sections 70A-9a-303 through 70A-9a-306, 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 Subsection (4), while negotiable documents, goods, instruments, money, or tangible chattel paper 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 62. Section **70A-9a-302** is enacted to read:

70A-9a-302. Law governing perfection and priority of agricultural liens.

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

Section 63. Section **70A-9a-303** is enacted to read:

70A-9a-303. Law governing perfection and priority of security interests in goods covered by a certificate of title.

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

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

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

Section 64. Section **70A-9a-304** is enacted to read:

70A-9a-304. Law governing perfection and priority of security interests in deposit accounts.

(1) 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.

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

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

(b) If Subsection (2)(a) 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.

(c) If neither Subsection (2)(a) nor Subsection (2)(b) 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.

(d) If none of the preceding subsections 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.

(e) If none of the preceding subsections applies, the bank's jurisdiction is the jurisdiction in which the chief executive office of the bank is located.

Section 65. Section **70A-9a-305** is enacted to read:

70A-9a-305. Law governing perfection and priority of security interests in investment property.

(1) Except as otherwise provided in Subsection (3), the following rules apply:

(a) 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.

(b) The local law of the issuer's jurisdiction as specified in Subsection 70A-8-109(4) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in an uncertificated security.

(c) The local law of the securities intermediary's jurisdiction as specified in Subsection 70A-8-109(5) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a security entitlement or securities account.

(d) 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.

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

(a) 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 chapter, or this title, that jurisdiction is the

commodity intermediary's jurisdiction.

(b) If Subsection (2)(a) 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.

(c) If neither Subsection (2)(a) nor Subsection (2)(b) 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.

(d) If none of the Subsections (2)(a) through (c) 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.

(e) If none of the Subsections (2)(a) through (d) applies, the commodity intermediary's jurisdiction is the jurisdiction in which the chief executive office of the commodity intermediary is located.

(3) The local law of the jurisdiction in which the debtor is located governs:

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

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

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

Section 66. Section **70A-9a-306** is enacted to read:

70A-9a-306. Law governing perfection and priority of security interests in letter-of-credit rights.

(1) Subject to Subsection (3), the local law of the issuer's jurisdiction or a nominated person's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a letter-of-credit right if the issuer's jurisdiction or nominated person's jurisdiction is a state.

(2) For purposes of this part, an issuer's jurisdiction or nominated person's jurisdiction is the

jurisdiction whose law governs the liability of the issuer or nominated person with respect to the letter-of-credit right as provided in Section 70A-5-116.

(3) This section does not apply to a security interest that is perfected only under Subsection 70A-9a-308(4).

Section 67. Section **70A-9a-307** is enacted to read:

70A-9a-307. Location of debtor.

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

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

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

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

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

(3) Subsection (2) applies only if a debtor's residence, place of business, or chief executive office, as applicable, is located in a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, recording, or registration system as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral. If Subsection (2) does not apply, the debtor is located in the District of Columbia.

(4) A person that ceases to exist, have a residence, or have a place of business continues to be located in the jurisdiction specified by Subsections (2) and (3).

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

(6) Except as otherwise provided in Subsection (9), a registered organization that is organized under the law of the United States and a branch or agency of a bank that is not organized under the law of the United States or a state are located:

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

(b) in the state that the registered organization, branch, or agency designates, if the law of the United States authorizes the registered organization, branch, or agency to designate its state of location; or

(c) in the District of Columbia, if neither Subsection (6)(a) nor Subsection (6)(b) applies.

(7) A registered organization continues to be located in the jurisdiction specified by Subsection (5) or (6) notwithstanding:

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

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

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

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

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

(11) This section applies only for purposes of this part.

Section 68. Section **70A-9a-308** is enacted to read:

70A-9a-308. When security interest or agricultural lien is perfected -- Continuity of perfection.

(1) Except as otherwise provided in this section and Section 70A-9a-309, a security interest is perfected if it has attached and all of the applicable requirements for perfection in Sections 70A-9a-310 through 70A-9a-316 have been satisfied. A security interest is perfected when it attaches if the applicable requirements are satisfied before the security interest attaches.

(2) An agricultural lien is perfected if it has become effective and all of the applicable requirements for perfection in Section 70A-9a-310 have been satisfied. An agricultural lien is perfected when it becomes effective if the applicable requirements are satisfied before the agricultural lien becomes effective.

(3) A security interest or agricultural lien is perfected continuously if it is originally perfected

by one method under this chapter and is later perfected by another method under this chapter, without an intermediate period when it was unperfected.

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

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

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

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

Section 69. Section **70A-9a-309** is enacted to read:

70A-9a-309. Security interest perfected upon attachment.

The following security interests are perfected when they attach:

(1) a purchase-money security interest in consumer goods, except as otherwise provided in Subsection 70A-9a-311(2) with respect to consumer goods that are subject to a statute or treaty described in Subsection 70A-9a-311(1);

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

(3) a sale of a payment intangible;

(4) a sale of a promissory note;

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

(6) a security interest arising under Section 70A-2-401 or 70A-2-505 or Subsection 70A-2-711(3) or 70A-2a-508(5), until the debtor obtains possession of the collateral;

(7) a security interest of a collecting bank arising under Section 70A-4-210;

(8) a security interest of an issuer or nominated person arising under Section 70A-5-118;

(9) a security interest arising in the delivery of a financial asset under Subsection 70A-9a-206(3);

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

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

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

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

Section 70. Section **70A-9a-310** is enacted to read:

70A-9a-310. When filing required to perfect security interest or agricultural lien -- Security interests and agricultural liens to which filing provisions do not apply.

(1) Except as otherwise provided in Subsection (2) and Subsection 70A-9a-312(2), a financing statement must be filed to perfect all security interests and agricultural liens.

(2) The filing of a financing statement is not necessary to perfect a security interest:

(a) that is perfected under Subsection 70A-9a-308(4), (5), (6), or (7);

(b) that is perfected under Section 70A-9a-309 when it attaches;

(c) in property subject to a statute, regulation, or treaty described in Subsection 70A-9a-311(1);

(d) in goods in possession of a bailee which is perfected under Subsection 70A-9a-312(4)(a) or (b);

(e) in certificated securities, documents, goods, or instruments which is perfected without filing or possession under Subsection 70A-9a-312(5), (6), or (7);

(f) in collateral in the secured party's possession under Section 70A-9a-313;

(g) in a certificated security which is perfected by delivery of the security certificate to the secured party under Section 70A-9a-313;

(h) in deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights which is perfected by control under Section 70A-9a-314;

(i) in proceeds which is perfected under Section 70A-9a-315; or

(j) that is perfected under Section 70A-9a-316.

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

Section 71. Section **70A-9a-311** is enacted to read:

70A-9a-311. Perfection of security interests in property subject to certain statutes, regulations, and treaties.

(1) Except as otherwise provided in Subsection (4), the filing of a financing statement is not necessary or effective to perfect a security interest in property subject to:

(a) a statute, regulation, or treaty of the United States whose requirements for a security interest's obtaining priority over the rights of a lien creditor with respect to the property preempt Subsection 70A-9a-310(1);

(b) Section 41-1a-601; or

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

(2) Compliance with the requirements of a statute, regulation, or treaty described in Subsection (1) for obtaining priority over the rights of a lien creditor is equivalent to the filing of a financing statement under this chapter. Except as otherwise provided in Subsection (4), Section 70A-9a-313, and Subsections 70A-9a-316(4) and (5) for goods covered by a certificate of title, a security interest in property subject to a statute, regulation, or treaty described in Subsection (1) may be perfected only by compliance with those requirements, and a security interest so perfected remains perfected notwithstanding a change in the use or transfer of possession of the collateral.

(3) Except as otherwise provided in Subsection (4) and Subsections 70A-9a-316(4) and (5), duration and renewal of perfection of a security interest perfected by compliance with the requirements prescribed by a statute, regulation, or treaty described in Subsection (1) are governed by the statute, regulation, or treaty. In other respects, the security interest is subject to this chapter.

(4) During any period in which collateral subject to a statute specified in Subsection (1)(b)

is inventory held for sale or lease by a person or leased by that person as lessor and that person is in the business of selling goods of that kind, this section does not apply to a security interest in that collateral created by that person.

Section 72. Section **70A-9a-312** is enacted to read:

70A-9a-312. Perfection of security interests in chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letter-of-credit rights, and money -- Perfection by permissive filing -- Temporary perfection without filing or transfer of possession.

(1) A security interest in chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

(2) Except as otherwise provided in Subsections 70A-9a-315(3) and (4) for proceeds:

(a) a security interest in a deposit account may be perfected only by control under Section 70A-9a-314;

(b) and except as otherwise provided in Subsection 70A-9a-308(4), a security interest in a letter-of-credit right may be perfected only by control under Section 70A-9a-314; and

(c) a security interest in money may be perfected only by the secured party's taking possession under Section 70A-9a-313.

(3) While goods are in the possession of a bailee that has issued a negotiable document covering the goods:

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

(b) 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.

(4) 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:

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

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

(c) filing as to the goods.

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

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

(a) ultimate sale or exchange; or

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

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

(a) ultimate sale or exchange; or

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

(8) After the 20-day period specified in Subsection (5), (6), or (7) expires, perfection depends upon compliance with this chapter.

Section 73. Section **70A-9a-313** is enacted to read:

70A-9a-313. When possession by or delivery to secured party perfects security interest without filing.

(1) Except as otherwise provided in Subsection (2), a secured party may perfect a security interest in negotiable documents, goods, instruments, money, or tangible chattel paper 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 70A-8-301.

(2) With respect to goods covered by a certificate of title issued by this state, a secured party may perfect a security interest in the goods by taking possession of the goods only in the circumstances described in Subsection 70A-9a-316(4).

(3) 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:

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

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

(4) If perfection of a security interest depends upon possession of the collateral by a secured party, perfection occurs no earlier than the time the secured party takes possession and continues only while the secured party retains possession.

(5) A security interest in a certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under Section 70A-8-301 and remains perfected by delivery until the debtor obtains possession of the security certificate.

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

(7) If a person acknowledges that it holds possession for the secured party's benefit:

(a) the acknowledgment is effective under Subsection (3) or Subsection 70A-8-301(1), even if the acknowledgment violates the rights of a debtor; and

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

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

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

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

(9) A secured party does not relinquish possession, even if a delivery under Subsection (8)

violates the rights of a debtor. A person to which collateral is delivered under Subsection (8) does not owe any duty to the secured party and is not required to confirm the delivery to another person unless the person otherwise agrees or law other than this chapter otherwise provides.

Section 74. Section **70A-9a-314** is enacted to read:

70A-9a-314. Perfection by control.

(1) A security interest in investment property, deposit accounts, letter-of-credit rights, or electronic chattel paper may be perfected by control of the collateral under Section 70A-9a-104, 70A-9a-105, 70A-9a-106, or 70A-9a-107.

(2) A security interest in deposit accounts, electronic chattel paper, or letter-of-credit rights is perfected by control under Section 70A-9a-104, 70A-9a-105, or 70A-9a-107 when the secured party obtains control and remains perfected by control only while the secured party retains control.

(3) A security interest in investment property is perfected by control under Section 70A-9a-106 from the time the secured party obtains control and remains perfected by control until:

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

(b) one of the following occurs:

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

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

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

Section 75. Section **70A-9a-315** is enacted to read:

70A-9a-315. Secured party's rights on disposition of collateral and in proceeds.

(1) Except as otherwise provided in this chapter and in Subsection 70A-2-403(2):

(a) a security interest or agricultural lien continues in collateral notwithstanding sale, lease, license, exchange, or other disposition thereof unless the secured party authorized the disposition free of the security interest or agricultural lien; and

(b) a security interest attaches to any identifiable proceeds of collateral.

(2) Proceeds that are commingled with other property are identifiable proceeds:

(a) if the proceeds are goods, to the extent provided by Section 70A-9a-336; and
(b) if the proceeds are not goods, to the extent that the secured party identifies the proceeds by a method of tracing, including application of equitable principles, that is permitted under law other than this chapter with respect to commingled property of the type involved.

(3) A security interest in proceeds is a perfected security interest if the security interest in the original collateral was perfected.

(4) A perfected security interest in proceeds becomes unperfected on the 21st day after the security interest attaches to the proceeds unless:

(a) the following conditions are satisfied:

(i) a filed financing statement covers the original collateral;

(ii) the proceeds are collateral in which a security interest may be perfected by filing in the office in which the financing statement has been filed; and

(iii) the proceeds are not acquired with cash proceeds;

(b) the proceeds are identifiable cash proceeds; or

(c) the security interest in the proceeds is perfected other than under Subsection (3) when the security interest attaches to the proceeds or within 20 days thereafter.

(5) If a filed financing statement covers the original collateral, a security interest in proceeds which remains perfected under Subsection (4)(a) becomes unperfected at the later of:

(a) when the effectiveness of the filed financing statement lapses under Section 70A-9a-515 or is terminated under Section 70A-9a-513; or

(b) the 21st day after the security interest attaches to the proceeds.

Section 76. Section **70A-9a-316** is enacted to read:

70A-9a-316. Continued perfection of security interest following change in governing law.

(1) A security interest perfected pursuant to the law of the jurisdiction designated in Subsection 70A-9a-301(1) or 70A-9a-305(3) remains perfected until the earliest of:

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

(b) the expiration of four months after a change of the debtor's location to another

jurisdiction; or

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

(2) If a security interest described in Subsection (1) becomes perfected under the law of the other jurisdiction before the earliest time or event described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earliest time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

(3) 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:

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

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

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

(4) Except as otherwise provided in Subsection (5), a security interest in goods covered by a certificate of title which is perfected by any method under the law of another jurisdiction when the goods become covered by a certificate of title from this state remains perfected until the security interest would have become unperfected under the law of the other jurisdiction had the goods not become so covered.

(5) A security interest described in Subsection (4) becomes unperfected as against a purchaser of the goods for value and is deemed never to have been perfected as against a purchaser of the goods for value if the applicable requirements for perfection under Subsection 70A-9a-311(2) or Section 70A-9a-313 are not satisfied before the earlier of:

(a) the time the security interest would have become unperfected under the law of the other jurisdiction had the goods not become covered by a certificate of title from this state; or

(b) the expiration of four months after the goods had become so covered.

(6) A security interest in deposit accounts, letter-of-credit rights, or investment property

which is perfected under the law of 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:

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

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

(7) If a security interest described in Subsection (6) 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 77. Section **70A-9a-317** is enacted to read:

70A-9a-317. Interests that take priority over or take free of security interest or agricultural lien.

(1) A security interest or agricultural lien is subordinate to the rights of:

(a) a person entitled to priority under Section 70A-9a-322; and

(b) except as otherwise provided in Subsection (5), a person that becomes a lien creditor before the earlier of the time:

(i) the security interest or agricultural lien is perfected; or

(ii) one of the conditions specified in Subsection 70A-9a-203(2)(c) is met and a financing statement covering the collateral is filed.

(2) Except as otherwise provided in Subsection (5), a buyer, other than a secured party, of tangible chattel paper, documents, goods, instruments, 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.

(3) Except as otherwise provided in Subsection (5), 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.

(4) A licensee of a general intangible or a buyer, other than a secured party, of accounts, electronic chattel paper, general intangibles, or investment property other than 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.

(5) Except as otherwise provided in Sections 70A-9a-320 and 70A-9a-321, if a person files a financing statement with respect to a purchase-money security interest before or within 20 days after the debtor receives delivery of the collateral, the security interest takes priority over the rights of a buyer, lessee, or lien creditor which arise between the time the security interest attaches and the time of filing.

Section 78. Section **70A-9a-318** is enacted to read:

70A-9a-318. No interest retained in right to payment that is sold -- Rights and title of seller of account or chattel paper with respect to creditors and purchasers.

(1) A debtor that has sold an account, chattel paper, payment intangible, or promissory note does not retain a legal or equitable interest in the collateral sold.

(2) For purposes of determining the rights of creditors of, and purchasers for value of an account or chattel paper from, a debtor that has sold an account or chattel paper, while the buyer's security interest is unperfected, the debtor is deemed to have rights and title to the account or chattel paper identical to those the debtor sold.

Section 79. Section **70A-9a-319** is enacted to read:

70A-9a-319. Rights and title of consignee with respect to creditors and purchasers.

(1) Except as otherwise provided in Subsection (2), for purposes of determining the rights of creditors of, and purchasers for value of goods from, a consignee, while the goods are in the possession of the consignee, the consignee is deemed to have rights and title to the goods identical to those the consignor had or had power to transfer.

(2) For purposes of determining the rights of a creditor of a consignee, law other than this chapter determines the rights and title of a consignee while goods are in the consignee's possession if, under this part, a perfected security interest held by the consignor would have priority over the

rights of the creditor.

Section 80. Section **70A-9a-320** is enacted to read:

70A-9a-320. Buyer of goods.

(1) Except as otherwise provided in Subsection (5), a buyer in ordinary course of business, other than a person buying farm products from a person engaged in farming operations, takes free of a security interest created by the buyer's seller, even if the security interest is perfected and the buyer knows of its existence.

(2) Except as otherwise provided in Subsection (5), a buyer of goods from a person who used or bought the goods for use primarily for personal, family, or household purposes takes free of a security interest, even if perfected, if the buyer buys:

(a) without knowledge of the security interest;

(b) for value;

(c) primarily for the buyer's personal, family, or household purposes; and

(d) before the filing of a financing statement covering the goods.

(3) To the extent that it affects the priority of a security interest over a buyer of goods under Subsection (2), the period of effectiveness of a filing made in the jurisdiction in which the seller is located is governed by Subsections 70A-9a-316(1) and (2).

(4) A buyer in ordinary course of business buying oil, gas, or other minerals at the wellhead or minehead or after extraction takes free of an interest arising out of an encumbrance.

(5) Subsections (1) and (2) do not affect a security interest in goods in the possession of the secured party under Section 70A-9a-313.

(6) (a) Notwithstanding Subsection (1), a secured party may not enforce a security interest in farm products against a buyer, commission merchant, or selling agent who purchases or sells farm products in the ordinary course of business from or for a person engaged in farming operations unless the secured party has complied with the rules issued by the Division of Corporations and Commercial Code under Subsection (6)(b).

(b) The Division of Corporations and Commercial Code shall issue the rules necessary to implement a central filing system that will conform to the requirements of the Food Security Act of

1985, P.L. 99-198, as now enacted or as it may be hereafter amended.

Section 81. Section **70A-9a-321** is enacted to read:

70A-9a-321. Licensee of general intangible and lessee of goods in ordinary course of business.

(1) In this section, "licensee in ordinary course of business" means a person that becomes a licensee of a general intangible in good faith, without knowledge that the license violates the rights of another person in the general intangible, and in the ordinary course from a person in the business of licensing general intangibles of that kind. A person becomes a licensee in the ordinary course if the license to the person comports with the usual or customary practices in the kind of business in which the licensor is engaged or with the licensor's own usual or customary practices.

(2) A licensee in ordinary course of business takes its rights under a nonexclusive license free of a security interest in the general intangible created by the licensor, even if the security interest is perfected and the licensee knows of its existence.

(3) A lessee in ordinary course of business takes its leasehold interest free of a security interest in the goods created by the lessor, even if the security interest is perfected and the lessee knows of its existence.

Section 82. Section **70A-9a-322** is enacted to read:

70A-9a-322. Priorities among conflicting security interests in and agricultural liens on same collateral.

(1) Except as otherwise provided in this section, priority among conflicting security interests and agricultural liens in the same collateral is determined according to the following rules:

(a) Conflicting perfected security interests and agricultural liens rank according to priority in time of filing or perfection. Priority dates from the earlier of the time a filing covering the collateral is first made or the security interest or agricultural lien is first perfected, if there is no period thereafter when there is neither filing nor perfection.

(b) A perfected security interest or agricultural lien has priority over a conflicting unperfected security interest or agricultural lien.

(c) The first security interest or agricultural lien to attach or become effective has priority if

conflicting security interests and agricultural liens are unperfected.

(2) For the purposes of Subsection (1)(a):

(a) the time of filing or perfection as to a security interest in collateral is also the time of filing or perfection as to a security interest in proceeds; and

(b) the time of filing or perfection as to a security interest in collateral supported by a supporting obligation is also the time of filing or perfection as to a security interest in the supporting obligation.

(3) Except as otherwise provided in Subsection (6), a security interest in collateral which qualifies for priority over a conflicting security interest under Section 70A-9a-327, 70A-9a-328, 70A-9a-329, 70A-9a-330, or 70A-9a-331 also has priority over a conflicting security interest in:

(a) any supporting obligation for the collateral; and

(b) proceeds of the collateral if:

(i) the security interest in proceeds is perfected;

(ii) the proceeds are cash proceeds or of the same type as the collateral; and

(iii) in the case of proceeds that are proceeds of proceeds, all intervening proceeds are cash proceeds, proceeds of the same type as the collateral, or an account relating to the collateral.

(4) Subject to Subsection (5) and except as otherwise provided in Subsection (6), if a security interest in chattel paper, deposit accounts, negotiable documents, instruments, investment property, or letter-of-credit rights is perfected by a method other than filing, conflicting perfected security interests in proceeds of the collateral rank according to priority in time of filing.

(5) Subsection (4) applies only if the proceeds of the collateral are not cash proceeds, chattel paper, negotiable documents, instruments, investment property, or letter-of-credit rights.

(6) Subsections (1) through (5) are subject to:

(a) Subsection (7) and the other provisions of this part;

(b) Section 70A-4-210 with respect to a security interest of a collecting bank;

(c) Section 70A-5-118 with respect to a security interest of an issuer or nominated person;

and

(d) Section 70A-9a-110 with respect to a security interest arising under Chapter 2 or 2a.

(7) A perfected agricultural lien on collateral has priority over a conflicting security interest in or agricultural lien on the same collateral if the statute creating the agricultural lien so provides.

Section 83. Section **70A-9a-323** is enacted to read:

70A-9a-323. Future advances.

(1) Except as otherwise provided in Subsection (3), for purposes of determining the priority of a perfected security interest under Subsection 70A-9a-322(1)(a), perfection of the security interest dates from the time an advance is made to the extent that the security interest secures an advance that:

(a) is made while the security interest is perfected only:

(i) under Section 70A-9a-309 when it attaches; or

(ii) temporarily under Subsection 70A-9a-312(5), (6), or (7); and

(b) is not made pursuant to a commitment entered into before or while the security interest is perfected by a method other than under Section 70A-9a-309 or Subsection 70A-9a-312(5), (6), or (7).

(2) Except as otherwise provided in Subsection (3), a security interest is subordinate to the rights of a person that becomes a lien creditor to the extent that the security interest secures an advance made more than 45 days after the person becomes a lien creditor unless the advance is made:

(a) without knowledge of the lien; or

(b) pursuant to a commitment entered into without knowledge of the lien.

(3) Subsections (1) and (2) do not apply to a security interest held by a secured party that is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor.

(4) Except as otherwise provided in Subsection (5), a buyer of goods other than a buyer in ordinary course of business takes free of a security interest to the extent that it secures advances made after the earlier of:

(a) the time the secured party acquires knowledge of the buyer's purchase; or

(b) 45 days after the purchase.

(5) Subsection (4) 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.

(6) Except as otherwise provided in Subsection (7), a lessee of goods, other than a lessee in ordinary course of business, takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of:

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

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

(7) Subsection (6) 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 84. Section **70A-9a-324** is enacted to read:

70A-9a-324. Priority of purchase-money security interests.

(1) Except as otherwise provided in Subsection (7), a perfected purchase-money security interest in goods other than inventory or livestock has priority over a conflicting security interest in the same goods, and, except as otherwise provided in Section 70A-9a-327, a perfected security interest in its identifiable proceeds also has priority, if the purchase-money security interest is perfected when the debtor receives possession of the collateral or within 20 days thereafter.

(2) Subject to Subsection (3) and except as otherwise provided in Subsection (7), 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 70A-9a-330, and, except as otherwise provided in Section 70A-9a-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:

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

(b) the purchase-money secured party sends an authenticated notification to the holder of the conflicting security interest;

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

(d) 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.

(3) Subsections (2)(b) through (d) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of inventory:

(a) if the purchase-money security interest is perfected by filing, before the date of the filing;
or

(b) if the purchase-money security interest is temporarily perfected without filing or possession under Subsection 70A-9a-312(6), before the beginning of the 20-day period thereunder.

(4) Subject to Subsection (5) and except as otherwise provided in Subsection (7), 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 70A-9a-327, a perfected security interest in their identifiable proceeds and identifiable products in their unmanufactured states also has priority, if:

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

(b) the purchase-money secured party sends an authenticated notification to the holder of the conflicting security interest;

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

(d) 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.

(5) Subsections (4)(b) through (d) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of livestock:

(a) if the purchase-money security interest is perfected by filing, before the date of the filing;
or

(b) if the purchase-money security interest is temporarily perfected without filing or possession under Subsection 70A-9a-312(6), before the beginning of the 20-day period thereunder.

(6) Except as otherwise provided in Subsection (7), a perfected purchase-money security interest in software has priority over a conflicting security interest in the same collateral, and, except

as otherwise provided in Section 70A-9a-327, a perfected security interest in its identifiable proceeds also has priority, to the extent that the purchase-money security interest in the goods in which the software was acquired for use has priority in the goods and proceeds of the goods under this section.

(7) If more than one security interest qualifies for priority in the same collateral under Subsection (1), (2), (4), or (6):

(a) a security interest securing an obligation incurred as all or part of the price of the collateral has priority over a security interest securing an obligation incurred for value given to enable the debtor to acquire rights in or the use of collateral; and

(b) in all other cases, Subsection 70A-9a-322(1) applies to the qualifying security interests.

Section 85. Section **70A-9a-325** is enacted to read:

70A-9a-325. Priority of security interests in transferred collateral.

(1) Except as otherwise provided in Subsection (2), a security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if:

(a) the debtor acquired the collateral subject to the security interest created by the other person;

(b) the security interest created by the other person was perfected when the debtor acquired the collateral; and

(c) there is no period thereafter when the security interest is unperfected.

(2) Subsection (1) subordinates a security interest only if the security interest:

(a) otherwise would have priority solely under Subsection 70A-9a-322(1) or Section 70A-9a-324; or

(b) arose solely under Subsection 70A-2-711(3) or 70A-2a-508(5).

Section 86. Section **70A-9a-326** is enacted to read:

70A-9a-326. Priority of security interests created by new debtor.

(1) Subject to Subsection (2), a security interest created by a new debtor which is perfected by a filed financing statement that is effective solely under Section 70A-9a-508 in collateral in which a new debtor has or acquires rights is subordinate to a security interest in the same collateral which is perfected other than by a filed financing statement that is effective solely under Section

70A-9a-508.

(2) The other provisions of this part determine the priority among conflicting security interests in the same collateral perfected by filed financing statements that are effective solely under Section 70A-9a-508. However, if the security agreements to which a new debtor became bound as debtor were not entered into by the same original debtor, the conflicting security interests rank according to priority in time of the new debtor's having become bound.

Section 87. Section **70A-9a-327** is enacted to read:

70A-9a-327. Priority of security interests in deposit account.

The following rules govern priority among conflicting security interests in the same deposit account:

(1) A security interest held by a secured party having control of the deposit account under Section 70A-9a-104 has priority over a conflicting security interest held by a secured party that does not have control.

(2) Except as otherwise provided in Subsections (3) and (4), security interests perfected by control under Section 70A-9a-314 rank according to priority in time of obtaining control.

(3) Except as otherwise provided in Subsection (4), a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party.

(4) A security interest perfected by control under Subsection 70A-9a-104(1)(c) has priority over a security interest held by the bank with which the deposit account is maintained.

Section 88. Section **70A-9a-328** is enacted to read:

70A-9a-328. Priority of security interests in investment property.

The following rules govern priority among conflicting security interests in the same investment property:

(1) A security interest held by a secured party having control of investment property under Section 70A-9a-106 has priority over a security interest held by a secured party that does not have control of the investment property.

(2) Except as otherwise provided in Subsections (3) and (4), conflicting security interests held

by secured parties each of which has control under Section 70A-9a-106 rank according to priority in time of:

(a) if the collateral is a security, obtaining control;

(b) if the collateral is a security entitlement carried in a securities account and:

(i) if the secured party obtained control under Subsection 70A-8-105(4)(a), the secured party's becoming the person for which the securities account is maintained;

(ii) if the secured party obtained control under Subsection 70A-8-105(4)(b), the securities intermediary's agreement to comply with the secured party's entitlement orders with respect to security entitlements carried or to be carried in the securities account; or

(iii) if the secured party obtained control through another person under Subsection 70A-8-105(4)(c), the time on which priority would be based under this subsection if the other person were the secured party; or

(c) if the collateral is a commodity contract carried with a commodity intermediary, the satisfaction of the requirement for control specified in Subsection 70A-9a-106(2)(b) with respect to commodity contracts carried or to be carried with the commodity intermediary.

(3) A security interest held by a securities intermediary in a security entitlement or a securities account maintained with the securities intermediary has priority over a conflicting security interest held by another secured party.

(4) A security interest held by a commodity intermediary in a commodity contract or a commodity account maintained with the commodity intermediary has priority over a conflicting security interest held by another secured party.

(5) A security interest in a certificated security in registered form which is perfected by taking delivery under Subsection 70A-9a-313(1) and not by control under Section 70A-9a-314 has priority over a conflicting security interest perfected by a method other than control.

(6) Conflicting security interests created by a broker, securities intermediary, or commodity intermediary which are perfected without control under Section 70A-9a-106 rank equally.

(7) In all other cases, priority among conflicting security interests in investment property is governed by Sections 70A-9a-322 and 70A-9a-323.

Section 89. Section **70A-9a-329** is enacted to read:

70A-9a-329. Priority of security interests in letter-of-credit right.

The following rules govern priority among conflicting security interests in the same letter-of-credit right:

(1) A security interest held by a secured party having control of the letter-of-credit right under Section 70A-9a-107 has priority to the extent of its control over a conflicting security interest held by a secured party that does not have control.

(2) Security interests perfected by control under Section 70A-9a-314 rank according to priority in time of obtaining control.

Section 90. Section **70A-9a-330** is enacted to read:

70A-9a-330. Priority of purchaser of chattel paper or instrument.

(1) 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:

(a) in good faith and in the ordinary course of the purchaser's business, the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under Section 70A-9a-105; and

(b) the chattel paper does not indicate that it has been assigned to an identified assignee other than the purchaser.

(2) 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 the chattel paper or obtains control of the chattel paper under Section 70A-9a-105 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.

(3) Except as otherwise provided in Section 70A-9a-327, a purchaser having priority in chattel paper under Subsection (1) or (2) also has priority in proceeds of the chattel paper to the extent that:

(a) Section 70A-9a-322 provides for priority in the proceeds; or

(b) the proceeds consist of the specific goods covered by the chattel paper or cash proceeds

of the specific goods, even if the purchaser's security interest in the proceeds is unperfected.

(4) Except as otherwise provided in Subsection 70A-9a-331(1), a purchaser of an instrument has priority over a security interest in the instrument perfected by a method other than possession if the purchaser gives value and takes possession of the instrument in good faith and without knowledge that the purchase violates the rights of the secured party.

(5) For purposes of Subsections (1) and (2), the holder of a purchase-money security interest in inventory gives new value for chattel paper constituting proceeds of the inventory.

(6) For purposes of Subsections (2) and (4), if chattel paper or an instrument indicates that it 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 91. Section **70A-9a-331** is enacted to read:

70A-9a-331. Priority of rights of purchasers of instruments, documents, and securities under other chapters -- Priority of interests in financial assets and security entitlements under Chapter 8.

(1) This chapter 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, or a protected purchaser of a security. These holders or purchasers take priority over an earlier security interest, even if perfected, to the extent provided in Chapters 3, 7, and 8.

(2) This chapter 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 Chapter 8.

(3) Filing under this chapter does not constitute notice of a claim or defense to the holders, or purchasers, or persons described in Subsections (1) and (2).

Section 92. Section **70A-9a-332** is enacted to read:

70A-9a-332. Transfer of money -- Transfer of funds from deposit account.

(1) A transferee of money takes the money free of a security interest unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

(2) A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account unless the transferee acts in collusion with the debtor in violating the rights of

the secured party.

Section 93. Section **70A-9a-333** is enacted to read:

70A-9a-333. Priority of certain liens arising by operation of law.

(1) In this section, "possessory lien" means an interest, other than a security interest or an agricultural lien:

(a) which secures payment or performance of an obligation for services or materials furnished with respect to goods by a person in the ordinary course of the person's business;

(b) which is created by statute or rule of law in favor of the person; and

(c) whose effectiveness depends on the person's possession of the goods.

(2) A possessory lien on goods has priority over a security interest in the goods unless the lien is created by a statute that expressly provides otherwise.

Section 94. Section **70A-9a-334** is enacted to read:

70A-9a-334. Priority of security interests in fixtures and crops.

(1) A security interest under this chapter may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under this chapter in ordinary building materials incorporated into an improvement on land.

(2) This chapter does not prevent creation of an encumbrance upon fixtures under real property law.

(3) In cases not governed by Subsections (4) through (8), a security interest in fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the related real property other than the debtor.

(4) Except as otherwise provided in Subsection (8), a perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property and:

(a) the security interest is a purchase-money security interest;

(b) the interest of the encumbrancer or owner arises before the goods become fixtures; and

(c) the security interest is perfected by a fixture filing before the goods become fixtures or within 20 days thereafter.

(5) A perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if:

(a) the debtor has an interest of record in the real property or is in possession of the real property and the security interest:

(i) is perfected by a fixture filing before the interest of the encumbrancer or owner is of record; and

(ii) has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner;

(b) before the goods become fixtures, the security interest is perfected by any method permitted by this chapter and the fixtures are readily removable:

(i) factory or office machines;

(ii) equipment that is not primarily used or leased for use in the operation of the real property;

or

(iii) replacements of domestic appliances that are consumer goods;

(c) the conflicting interest is a lien on the real property obtained by legal or equitable proceedings after the security interest was perfected by any method permitted by this chapter; or

(d) the security interest is:

(i) created in a manufactured home in a manufactured-home transaction; and

(ii) perfected pursuant to a statute described in Subsection 70A-9a-311(1)(b).

(6) 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:

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

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

(7) The priority of the security interest under Subsection (6) continues for a reasonable time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

(8) A mortgage is a construction mortgage to the extent that it secures an obligation incurred for the construction of an improvement on land, including the acquisition cost of the land, if a

recorded record of the mortgage so indicates. Except as otherwise provided in Subsections (5) and (6), a security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage is recorded before the goods become fixtures and the goods become fixtures before the completion of the construction. A mortgage has this priority to the same extent as a construction mortgage to the extent that it is given to refinance a construction mortgage.

(9) A perfected security interest in crops growing on real property has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property.

Section 95. Section **70A-9a-335** is enacted to read:

70A-9a-335. Accessions.

(1) A security interest may be created in an accession and continues in collateral that becomes an accession.

(2) If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the collateral.

(3) Except as otherwise provided in Subsection (4), the other provisions of this part determine the priority of a security interest in an accession.

(4) A security interest in an accession is subordinate to a security interest in the whole which is perfected by compliance with the requirements of a certificate-of-title statute under Subsection 70A-9a-311(2).

(5) After default, subject to Part 6, a secured party may remove an accession from other goods if the security interest in the accession has priority over the claims of every person having an interest in the whole.

(6) A secured party that removes an accession from other goods under Subsection (5) shall promptly reimburse any holder of a security interest or other lien on, or owner of, the whole or of the other goods, other than the debtor, for the cost of repair of any physical injury to the whole or the other goods. The secured party need not reimburse the holder or owner for any diminution in value of the whole or the other goods caused by the absence of the accession removed or by any necessity for replacing it. A person entitled to reimbursement may refuse permission to remove until the

secured party gives adequate assurance for the performance of the obligation to reimburse.

Section 96. Section **70A-9a-336** is enacted to read:

70A-9a-336. Commingled goods.

(1) In this section, "commingled goods" means goods that are physically united with other goods in such a manner that their identity is lost in a product or mass.

(2) A security interest does not exist in commingled goods as such. However, a security interest may attach to a product or mass that results when goods become commingled goods.

(3) If collateral becomes commingled goods, a security interest attaches to the product or mass.

(4) If a security interest in collateral is perfected before the collateral becomes commingled goods, the security interest that attaches to the product or mass under Subsection (3) is perfected.

(5) Except as otherwise provided in Subsection (6), the other provisions of this part determine the priority of a security interest that attaches to the product or mass under Subsection (3).

(6) If more than one security interest attaches to the product or mass under Subsection (3), the following rules determine priority:

(a) A security interest that is perfected under Subsection (4) has priority over a security interest that is unperfected at the time the collateral becomes commingled goods.

(b) If more than one security interest is perfected under Subsection (4), the security interests rank equally in proportion to the value of the collateral at the time it became commingled goods.

Section 97. Section **70A-9a-337** is enacted to read:

70A-9a-337. Priority of security interests in goods covered by certificate of title.

If, while a security interest in goods is perfected by any method under the law of another jurisdiction, this state issues a certificate of title that does not show that the goods are subject to the security interest or contain a statement that they may be subject to security interests not shown on the certificate:

(1) a buyer of the goods, other than a person in the business of selling goods of that kind, takes free of the security interest if the buyer gives value and receives delivery of the goods after issuance of the certificate and without knowledge of the security interest; and

(2) the security interest is subordinate to a conflicting security interest in the goods that attaches, and is perfected under Subsection 70A-9a-311(2), after issuance of the certificate and without the conflicting secured party's knowledge of the security interest.

Section 98. Section **70A-9a-338** is enacted to read:

70A-9a-338. Priority of security interest or agricultural lien perfected by filed financing statement providing certain incorrect information.

If a security interest or agricultural lien is perfected by a filed financing statement providing information described in Subsection 70A-9a-516(2)(e) which is incorrect at the time the financing statement is filed:

(1) the security interest or agricultural lien is subordinate to a conflicting perfected security interest in the collateral to the extent that the holder of the conflicting security interest gives value in reasonable reliance upon the incorrect information; and

(2) a purchaser, other than a secured party, of the collateral takes free of the security interest or agricultural lien to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and, in the case of chattel paper, documents, goods, instruments, or a security certificate, receives delivery of the collateral.

Section 99. Section **70A-9a-339** is enacted to read:

70A-9a-339. Priority subject to subordination.

This chapter does not preclude subordination by agreement by a person entitled to priority.

Section 100. Section **70A-9a-340** is enacted to read:

70A-9a-340. Effectiveness of right of recoupment or set-off against deposit account.

(1) Except as otherwise provided in Subsection (3), a bank with which a deposit account is maintained may exercise any right of recoupment or set-off against a secured party that holds a security interest in the deposit account.

(2) Except as otherwise provided in Subsection (3), the application of this chapter to a security interest in a deposit account does not affect a right of recoupment or set-off of the secured party as to a deposit account maintained with the secured party.

(3) The exercise by a bank of a set-off against a deposit account is ineffective against a

secured party that holds a security interest in the deposit account which is perfected by control under Subsection 70A-9a-104(1)(c), if the set-off is based on a claim against the debtor.

Section 101. Section **70A-9a-341** is enacted to read:

70A-9a-341. Bank's rights and duties with respect to deposit account.

Except as otherwise provided in Subsection 70A-9a-340(3), and unless the bank otherwise agrees in an authenticated 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 102. Section **70A-9a-342** is enacted to read:

70A-9a-342. Bank's right to refuse to enter into or disclose existence of control agreement.

This chapter does not require a bank to enter into an agreement of the kind described in Subsection 70A-9a-104(1)(b), even if its customer so requests or directs. A bank that has entered into such an agreement is not required to confirm the existence of the agreement to another person unless requested to do so by its customer.

Section 103. Section **70A-9a-401** is enacted to read:

Part 4. Rights of Third Parties

70A-9a-401. Alienability of debtor's rights.

(1) Except as otherwise provided in Subsection (2) and Sections 70A-9a-406, 70A-9a-407, 70A-9a-408, and 70A-9a-409, whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is governed by law other than this chapter.

(2) An agreement between the debtor and secured party which prohibits a transfer of the debtor's rights in collateral or makes the transfer a default does not prevent the transfer from taking effect.

Section 104. Section **70A-9a-402** is enacted to read:

70A-9a-402. Secured party not obligated on contract of debtor or in tort.

The existence of a security interest, agricultural lien, or authority given to a debtor to dispose of or use collateral, without more, does not subject a secured party to liability in contract or tort for the debtor's acts or omissions.

Section 105. Section **70A-9a-403** is enacted to read:

70A-9a-403. Agreement not to assert defenses against assignee.

(1) In this section, "value" has the meaning provided in Subsection 70A-3-303(1).

(2) Except as otherwise provided in this section, an agreement between an account debtor and an assignor not to assert against an assignee any claim or defense that the account debtor may have against the assignor is enforceable by an assignee that takes an assignment:

(a) for value;

(b) in good faith;

(c) without notice of a claim of a property or possessory right to the property assigned; and

(d) without notice of a defense or claim in recoupment of the type that may be asserted against a person entitled to enforce a negotiable instrument under Subsection 70A-3-305(1).

(3) Subsection (2) does not apply to defenses of a type that may be asserted against a holder in due course of a negotiable instrument under Subsection 70A-3-305(2).

(4) In a consumer transaction, if a record evidences the account debtor's obligation, law other than this chapter requires that the record include a statement to the effect that the rights of an assignee are subject to claims or defenses that the account debtor could assert against the original obligee, and the record does not include such a statement:

(a) the record has the same effect as if the record included such a statement; and

(b) the account debtor may assert against an assignee those claims and defenses that would have been available if the record included such a statement.

(5) This section is subject to law other than this chapter 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.

(6) Except as otherwise provided in Subsection (4), this section does not displace law other than this chapter which gives effect to an agreement by an account debtor not to assert a claim or

defense against an assignee.

Section 106. Section **70A-9a-404** is enacted to read:

70A-9a-404. Rights acquired by assignee -- Claims and defenses against assignee.

(1) Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to Subsections (2) through (5), the rights of an assignee are subject to:

(a) 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

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

(2) Subject to Subsection (3) and except as otherwise provided in Subsection (4), the claim of an account debtor against an assignor may be asserted against an assignee under Subsection (1) only to reduce the amount the account debtor owes.

(3) This section is subject to law other than this chapter 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.

(4) In a consumer transaction, if a record evidences the account debtor's obligation, law other than this chapter requires that the record include a statement to the effect that the account debtor's recovery against an assignee with respect to claims and defenses against the assignor may not exceed amounts paid by the account debtor under the record, and the record does not include such a statement, the extent to which a claim of an account debtor against the assignor may be asserted against an assignee is determined as if the record included such a statement.

(5) This section does not apply to an assignment of a health-care-insurance receivable.

Section 107. Section **70A-9a-405** is enacted to read:

70A-9a-405. Modification of assigned contract.

(1) A modification of or substitution for an assigned contract is effective against an assignee if made in good faith. The assignee acquires corresponding rights under the modified or substituted contract. The assignment may provide that the modification or substitution is a breach of contract

by the assignor. This Subsection (1) is subject to Subsections (2) through (4).

(2) Subsection (1) applies to the extent that:

(a) the right to payment or a part thereof under an assigned contract has not been fully earned by performance; or

(b) the right to payment or a part thereof has been fully earned by performance and the account debtor has not received notification of the assignment under Subsection 70A-9a-406(1).

(3) This section is subject to law other than this chapter 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.

(4) This section does not apply to an assignment of a health-care-insurance receivable.

Section 108. Section **70A-9a-406** is enacted to read:

70A-9a-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.

(1) Subject to Subsections (2) through (9), 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, authenticated 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.

(2) Subject to Subsection (8), notification is ineffective under Subsection (1):

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

(b) 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 chapter; or

(c) 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:

(i) only a portion of the account, chattel paper, or payment intangible has been assigned to

that assignee;

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

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

(3) Subject to Subsection (8), 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 (1).

(4) Except as otherwise provided in Subsection (5) and Sections 70A-2a-303 and 70A-9a-407, and subject to Subsection (8), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

(a) 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

(b) 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.

(5) Subsection (4) does not apply to the sale of a payment intangible or promissory note.

(6) Except as otherwise provided in Sections 70A-2a-303 and 70A-9a-407 and subject to Subsections (8) and (9), a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or regulation:

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

(b) 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 or chattel paper.

(7) Subject to Subsection (8), an account debtor may not waive or vary its option under Subsection (2)(c).

(8) This section is subject to law other than this chapter 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.

(9) This section does not apply to an assignment of a health-care-insurance receivable.

Section 109. Section **70A-9a-407** is enacted to read:

70A-9a-407. Restrictions on creation or enforcement of security interest in leasehold interest or in lessor's residual interest.

(1) Except as otherwise provided in Subsection (2), a term in a lease agreement is ineffective to the extent that it:

(a) prohibits, restricts, or requires the consent of a party to the lease to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, an interest of a party under the lease contract or in the lessor's residual interest in the goods; or

(b) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the lease.

(2) Except as otherwise provided in Subsection 70A-2a-303(7), a term described in Subsection (1)(b) is effective to the extent that there is:

(a) a transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term; or

(b) a delegation of a material performance of either party to the lease contract in violation of the term.

(3) The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty

of or materially increases the burden or risk imposed on the lessee within the purview of Subsection 70A-2a-303(4) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

Section 110. Section **70A-9a-408** is enacted to read:

70A-9a-408. Restrictions on assignment of promissory notes, health-care-insurance receivables, and certain general intangibles ineffective.

(1) Except as otherwise provided in Subsection (2), a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

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

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

(2) Subsection (1) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note.

(3) A rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or general intangible, including a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute, or regulation:

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

(b) provides that the assignment or transfer or the creation, attachment, or perfection of the

security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

(4) To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or regulation described in Subsection (3) would be effective under law other than this chapter but is ineffective under Subsection (1) or (3), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

(a) is not enforceable against the person obligated on the promissory note or the account debtor;

(b) does not impose a duty or obligation on the person obligated on the promissory note or the account debtor;

(c) does not require the person obligated on the promissory note or the account debtor to recognize the security interest, pay or render performance to the secured party, or accept payment or performance from the secured party;

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

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

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

Section 111. Section **70A-9a-409** is enacted to read:

70A-9a-409. Restrictions on assignment of letter-of-credit rights ineffective.

(1) A term in a letter of credit or a rule of law, statute, regulation, custom, or practice applicable to the letter of credit which prohibits, restricts, or requires the consent of an applicant,

issuer, or nominated person to a beneficiary's assignment of or creation of a security interest in a letter-of-credit right is ineffective to the extent that the term or rule of law, statute, regulation, custom, or practice:

(a) would impair the creation, attachment, or perfection of a security interest in the letter-of-credit right; or

(b) provides that the assignment or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the letter-of-credit right.

(2) To the extent that a term in a letter of credit is ineffective under Subsection (1) but would be effective under law other than this chapter or a custom or practice applicable to the letter of credit, to the transfer of a right to draw or otherwise demand performance under the letter of credit, or to the assignment of a right to proceeds of the letter of credit, the creation, attachment, or perfection of a security interest in the letter-of-credit right:

(a) is not enforceable against the applicant, issuer, nominated person, or transferee beneficiary;

(b) imposes no duties or obligations on the applicant, issuer, nominated person, or transferee beneficiary; and

(c) does not require the applicant, issuer, nominated person, or transferee beneficiary to recognize the security interest, pay or render performance to the secured party, or accept payment or other performance from the secured party.

Section 112. Section **70A-9a-501** is enacted to read:

Part 5. Filing

70A-9a-501. Filing office.

(1) Except as otherwise provided in Subsection (2), if the local law of this state governs perfection of a security interest or agricultural lien, the office in which to file a financing statement to perfect the security interest or agricultural lien is:

(a) the office designated for the filing or recording of a record of a mortgage on the related real property, if:

(i) the collateral is as-extracted collateral or timber to be cut; or
(ii) the financing statement is filed as a fixture filing and the collateral is goods that are or are to become fixtures; or

(b) the Division of Corporations and Commercial Code, in all other cases, including a case in which the collateral is goods that are or are to become fixtures and the financing statement is not filed as a fixture filing.

(2) The office in which to file a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is the Division of Corporations and Commercial Code. The financing statement also constitutes a fixture filing as to the collateral indicated in the financing statement which is or is to become fixtures.

Section 113. Section **70A-9a-502** is enacted to read:

70A-9a-502. Contents of financing statement -- Record of mortgage as financing statement -- Time of filing financing statement.

(1) Subject to Subsection (2), a financing statement is sufficient only if it:

(a) provides the name of the debtor;

(b) provides the name of the secured party or a representative of the secured party; and

(c) indicates the collateral covered by the financing statement.

(2) Except as otherwise provided in Subsection 70A-9a-501(2), to be sufficient, a financing statement that covers as-extracted collateral or timber to be cut, or which is filed as a fixture filing and covers goods that are or are to become fixtures, must satisfy Subsection (1) and also:

(a) indicate that it covers this type of collateral;

(b) indicate that it is to be filed for record in the real property records;

(c) provide a legal description of the real property to which the collateral is related; and

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

(3) A record of a mortgage is effective, from the date of recording, as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut only if:

(a) the record indicates the goods or accounts that it covers;

(b) the goods are or are to become fixtures related to the real property described in the record or the collateral is related to the real property described in the record and is as-extracted collateral or timber to be cut;

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

(d) the record is recorded.

(4) A financing statement may be filed before a security agreement is made or a security interest otherwise attaches.

(5) (a) The requirements of Title 57 do not apply to a financing statement filed or recorded in a filing office described in Subsection 70A-9a-501(1)(a) that:

(i) covers as-extracted collateral or timber to be cut; or

(ii) (A) is filed as a fixture filing; and

(B) covers goods that are or are to become fixtures.

(b) For purposes of Subsection (5)(a), the requirements of Title 57 include requirements related to:

(i) execution;

(ii) acknowledgment;

(iii) certification; and

(iv) originality.

Section 114. Section **70A-9a-503** is enacted to read:

70A-9a-503. Name of debtor and secured party.

(1) A financing statement sufficiently provides the name of the debtor:

(a) if the debtor is a registered organization, only if the financing statement provides the name of the debtor indicated on the public record of the debtor's jurisdiction of organization which shows the debtor to have been organized;

(b) if the debtor is a decedent's estate, only if the financing statement provides the name of the decedent and indicates that the debtor is an estate;

(c) if the debtor is a trust or a trustee acting with respect to property held in trust, only if the financing statement:

(i) provides the name specified for the trust in its organic documents or, if no name is specified, provides the name of the settlor and additional information sufficient to distinguish the debtor from other trusts having one or more of the same settlors; and

(ii) indicates, in the debtor's name or otherwise, that the debtor is a trust or is a trustee acting with respect to property held in trust; and

(d) in other cases:

(i) if the debtor has a name, only if it provides the individual or organizational name of the debtor; and

(ii) if the debtor does not have a name, only if it provides the names of the partners, members, associates, or other persons comprising the debtor.

(2) A financing statement that provides the name of the debtor in accordance with Subsection (1) is not rendered ineffective by the absence of:

(a) a trade name or other name of the debtor; or

(b) unless required under Subsection (1)(d)(ii), names of partners, members, associates, or other persons comprising the debtor.

(3) A financing statement that provides only the debtor's trade name does not sufficiently provide the name of the debtor.

(4) Failure to indicate the representative capacity of a secured party or representative of a secured party does not affect the sufficiency of a financing statement.

(5) A financing statement may provide the name of more than one debtor and the name of more than one secured party.

Section 115. Section **70A-9a-504** is enacted to read:

70A-9a-504. Indication of collateral.

A financing statement sufficiently indicates the collateral that it covers if the financing statement provides:

(1) a description of the collateral pursuant to Section 70A-9a-108; or

(2) an indication that the financing statement covers all assets or all personal property.

Section 116. Section **70A-9a-505** is enacted to read:

70A-9a-505. Filing and compliance with other statutes and treaties for consignments, leases, other bailments, and other transactions.

(1) A consignor, lessor, or other bailor of goods, a licensor, or a buyer of a payment intangible or promissory note may file a financing statement, or may comply with a statute or treaty described in Subsection 70A-9a-311(1), using the terms "consignor," "consignee," "lessor," "lessee," "bailor," "bailee," "licensor," "licensee," "owner," "registered owner," "buyer," "seller," or words of similar import, instead of the terms "secured party" and "debtor."

(2) This part applies to the filing of a financing statement under Subsection (1) and, as appropriate, to compliance that is equivalent to filing a financing statement under Subsection 70A-9a-311(2), but the filing or compliance is not of itself a factor in determining whether the collateral secures an obligation. If it is determined for another reason that the collateral secures an obligation, a security interest held by the consignor, lessor, bailor, licensor, owner, or buyer which attaches to the collateral is perfected by the filing or compliance.

Section 117. Section **70A-9a-506** is enacted to read:

70A-9a-506. Effect of errors or omissions.

(1) A financing statement substantially satisfying the requirements of this part is effective, even if it has minor errors or omissions, unless the errors or omissions make the financing statement seriously misleading.

(2) Except as otherwise provided in Subsection (3), a financing statement that fails sufficiently to provide the name of the debtor in accordance with Subsection 70A-9a-503(1) is seriously misleading.

(3) If a search of the records of the filing office under the debtor's correct name, using the filing office's standard search logic, if any, would disclose a financing statement that fails sufficiently to provide the name of the debtor in accordance with Subsection 70A-9a-503(1), the name provided does not make the financing statement seriously misleading.

(4) For purposes of Subsection 70A-9a-508(2), the "debtor's correct name" in Subsection

(3) means the correct name of the new debtor.

Section 118. Section **70A-9a-507** is enacted to read:

70A-9a-507. Effect of certain events on effectiveness of financing statement.

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

(2) Except as otherwise provided in Subsection (3) and Section 70A-9a-508, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading under Section 70A-9a-506.

(3) If a debtor so changes its name that a filed financing statement becomes seriously misleading under Section 70A-9a-506:

(a) the financing statement is effective to perfect a security interest in collateral acquired by the debtor before, or within four months after, the change; and

(b) the financing statement is not effective to perfect a security interest in collateral acquired by the debtor more than four months after the change, unless an amendment to the financing statement which renders the financing statement not seriously misleading is filed within four months after the change.

Section 119. Section **70A-9a-508** is enacted to read:

70A-9a-508. Effectiveness of financing statement if new debtor becomes bound by security agreement.

(1) Except as otherwise provided in this section, a filed financing statement naming an original debtor is effective to perfect a security interest in collateral in which a new debtor has or acquires rights to the extent that the financing statement would have been effective had the original debtor acquired rights in the collateral.

(2) If the difference between the name of the original debtor and that of the new debtor causes a filed financing statement that is effective under Subsection (1) to be seriously misleading under Section 70A-9a-506:

(a) the financing statement is effective to perfect a security interest in collateral acquired by

the new debtor before, and within four months after, the new debtor becomes bound under Subsection 70A-9a-203(4); and

(b) the financing statement is not effective to perfect a security interest in collateral acquired by the new debtor more than four months after the new debtor becomes bound under Subsection 70A-9a-203(4) unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

(3) This section does not apply to collateral as to which a filed financing statement remains effective against the new debtor under Subsection 70A-9a-507(1).

Section 120. Section **70A-9a-509** is enacted to read:

70A-9a-509. Persons entitled to file a record.

(1) 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:

(a) the debtor authorizes the filing in an authenticated record or pursuant to Subsection (2) or (3); or

(b) 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.

(2) By authenticating 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:

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

(b) property that becomes collateral under Subsection 70A-9a-315(1)(b), whether or not the security agreement expressly covers proceeds.

(3) By acquiring collateral in which a security interest or agricultural lien continues under Subsection 70A-9a-315(1)(a), a debtor authorizes the filing of an initial financing statement, and an amendment, covering the collateral and property that becomes collateral under Subsection 70A-9a-315(1)(b).

(4) A person may file an amendment other than an amendment that adds collateral covered by a financing statement or an amendment that adds a debtor to a financing statement only if:

(a) the secured party of record authorizes the filing; or

(b) the amendment is a termination statement for a financing statement as to which the secured party of record has failed to file or send a termination statement as required by Subsection 70A-9a-513(1) or (3), the debtor authorizes the filing, and the termination statement indicates that the debtor authorized it to be filed.

(5) If there is more than one secured party of record for a financing statement, each secured party of record may authorize the filing of an amendment under Subsection (4).

Section 121. Section **70A-9a-510** is enacted to read:

70A-9a-510. Effectiveness of filed record.

(1) A filed record is effective only to the extent that it was filed by a person that may file it under Section 70A-9a-509.

(2) A record authorized by one secured party of record does not affect the financing statement with respect to another secured party of record.

(3) A continuation statement that is not filed within the six-month period prescribed by Subsection 70A-9a-515(4) is ineffective.

Section 122. Section **70A-9a-511** is enacted to read:

70A-9a-511. Secured party of record.

(1) A secured party of record with respect to a financing statement is a person whose name is provided as the name of the secured party or a representative of the secured party in an initial financing statement that has been filed. If an initial financing statement is filed under Subsection 70A-9a-514(1), the assignee named in the initial financing statement is the secured party of record with respect to the financing statement.

(2) If an amendment of a financing statement which provides the name of a person as a secured party or a representative of a secured party is filed, the person named in the amendment is a secured party of record. If an amendment is filed under Subsection 70A-9a-514(2), the assignee named in the amendment is a secured party of record.

(3) A person remains a secured party of record until the filing of an amendment of the financing statement which deletes the person.

Section 123. Section **70A-9a-512** is enacted to read:

70A-9a-512. Amendment of financing statement.

(1) Subject to Section 70A-9a-509, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or, subject to Subsection (5), otherwise amend the information provided in, a financing statement by filing an amendment that:

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

(b) if the amendment relates to an initial financing statement filed or recorded in a filing office described in Subsection 70A-9a-501(1)(a), provides:

(i) (A) the entry number of the initial financing statement; or

(B) the book and page where the initial financing statement was filed or recorded; and

(ii) the information specified in Subsection 70A-9a-502(2).

(2) Except as otherwise provided in Section 70A-9a-515, the filing of an amendment does not extend the period of effectiveness of the financing statement.

(3) A financing statement that is amended by an amendment that adds collateral is effective as to the added collateral only from the date of the filing of the amendment.

(4) A financing statement that is amended by an amendment that adds a debtor is effective as to the added debtor only from the date of the filing of the amendment.

(5) An amendment is ineffective to the extent it:

(a) purports to delete all debtors and fails to provide the name of a debtor to be covered by the financing statement; or

(b) purports to delete all secured parties of record and fails to provide the name of a new secured party of record.

Section 124. Section **70A-9a-513** is enacted to read:

70A-9a-513. Termination statement.

(1) 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:

(a) 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

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

(2) To comply with Subsection (1), a secured party shall cause the secured party of record to file the termination statement:

(a) 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

(b) if earlier, within 20 days after the secured party receives an authenticated demand from a debtor.

(3) In cases not governed by Subsection (1), within 20 days after a secured party receives an authenticated 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:

(a) 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;

(b) 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;

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

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

(4) Except as otherwise provided in Section 70A-9a-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 70A-9a-510, for purposes of Subsections 70A-9a-519(7), 70A-9a-522(1), and 70A-9a-525(3), 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 125. Section **70A-9a-514** is enacted to read:

70A-9a-514. Assignment of powers of secured party of record.

(1) Except as otherwise provided in Subsection (3), an initial financing statement may reflect an assignment of all of the secured party's power to authorize an amendment to the financing statement by providing the name and mailing address of the assignee as the name and address of the secured party.

(2) Except as otherwise provided in Subsection (3), a secured party of record may assign of record all or part of its power to authorize an amendment to a financing statement by filing in the filing office an amendment of the financing statement which:

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

(b) provides the name of the assignor; and

(c) provides the name and mailing address of the assignee.

(3) An assignment of record of a security interest in a fixture covered by a record of a mortgage which is effective as a financing statement filed as a fixture filing under Subsection 70A-9a-502(3) may be made only by an assignment of record of the mortgage in the manner provided by law of this state other than this title.

Section 126. Section **70A-9a-515** is enacted to read:

70A-9a-515. Duration and effectiveness of financing statement -- Effect of lapsed financing statement.

(1) Except as otherwise provided in Subsections (2), (5), (6), and (7), a filed financing statement is effective for a period of five years after the date of filing.

(2) Except as otherwise provided in Subsections (5), (6), and (7), an initial financing statement filed in connection with a public-finance transaction or manufactured-home transaction is effective for a period of 30 years after the date of filing if it indicates that it is filed in connection with a public-finance transaction or manufactured-home transaction.

(3) The effectiveness of a filed financing statement lapses on the expiration of the period of its effectiveness unless before the lapse a continuation statement is filed pursuant to Subsection (4). Upon lapse, a financing statement ceases to be effective and any security interest or agricultural lien

that was perfected by the financing statement becomes unperfected, unless the security interest is perfected otherwise. If the security interest or agricultural lien becomes unperfected upon lapse, it is deemed never to have been perfected as against a purchaser of the collateral for value.

(4) A continuation statement may be filed only within six months before the expiration of the five-year period specified in Subsection (1) or the 30-year period specified in Subsection (2), whichever is applicable.

(5) Except as otherwise provided in Section 70A-9a-510, upon timely filing of a continuation statement, the effectiveness of the initial financing statement continues for a period of five years commencing on the day on which the financing statement would have become ineffective in the absence of the filing. Upon the expiration of the five-year period, the financing statement lapses in the same manner as provided in Subsection (3), unless, before the lapse, another continuation statement is filed pursuant to Subsection (4). Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the initial financing statement.

(6) If a debtor is a transmitting utility and a filed financing statement so indicates, the financing statement is effective until a termination statement is filed.

(7) A record of a mortgage that is effective as a financing statement filed as a fixture filing under Subsection 70A-9a-502(3) remains effective as a financing statement filed as a fixture filing until the mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the real property.

Section 127. Section **70A-9a-516** is enacted to read:

70A-9a-516. What constitutes filing -- Effectiveness of filing.

(1) Except as otherwise provided in Subsection (2), communication of a record to a filing office and tender of the filing fee or acceptance of the record by the filing office constitutes filing.

(2) Filing does not occur with respect to a record that a filing office refuses to accept because:

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

(b) an amount equal to or greater than the applicable filing fee is not tendered;

(c) the filing office is unable to index the record because:

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

(ii) in the case of an amendment or correction statement, the record:

(A) does not identify the initial financing statement as required by Section 70A-9a-512 or 70A-9a-518, as applicable; or

(B) identifies an initial financing statement whose effectiveness has lapsed under Section 70A-9a-515;

(iii) in the case of an initial financing statement that provides the name of a debtor identified as an individual or an amendment that provides a name of a debtor identified as an individual which was not previously provided in the financing statement to which the record relates, the record does not identify the debtor's last name; or

(iv) in the case of a record filed or recorded in the filing office described in Subsection 70A-9a-501(1)(a), the record does not provide a sufficient description of the real property to which it relates;

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

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

(i) provide a mailing address for the debtor;

(ii) indicate whether the debtor is an individual or an organization; or

(iii) if the financing statement indicates that the debtor is an organization, provide:

(A) a type of organization for the debtor;

(B) a jurisdiction of organization for the debtor; or

(C) an organizational identification number for the debtor or indicate that the debtor has none;

(f) in the case of an assignment reflected in an initial financing statement under Subsection

70A-9a-514(1) or an amendment filed under Subsection 70A-9a-514(2), the record does not provide a name and mailing address for the assignee; or

(g) in the case of a continuation statement, the record is not filed within the six-month period prescribed by Subsection 70A-9a-515(4).

(3) For purposes of Subsection (2):

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

(b) a record that does not indicate that it is an amendment or identify an initial financing statement to which it relates, as required by Section 70A-9a-512, 70A-9a-514, or 70A-9a-518, is an initial financing statement.

(4) A record that is communicated to the filing office with tender of the filing fee, but which the filing office refuses to accept for a reason other than one set forth in Subsection (2), is effective as a filed record except as against a purchaser of the collateral which gives value in reasonable reliance upon the absence of the record from the files.

Section 128. Section **70A-9a-517** is enacted to read:

70A-9a-517. Effect of indexing errors.

The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

Section 129. Section **70A-9a-518** is enacted to read:

70A-9a-518. Claim concerning inaccurate or wrongfully filed record.

(1) A person may file in the filing office a correction statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed.

(2) A correction statement must:

(a) identify the record to which it relates by:

(i) the file number assigned to the initial financing statement to which the record relates; and

(ii) if the correction statement relates to a record filed or recorded in a filing office described in Subsection 70A-9a-501(1)(a):

(A) (I) the entry number of the initial financing statement; or
(II) the book and page where that the initial financing statement was filed or recorded; and
(B) the information specified in Subsection 70A-9a-502(2);
(b) indicate that it is a correction statement; and
(c) provide the basis for the person's belief that the record is inaccurate and indicate the manner in which the person believes the record should be amended to cure any inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.

(3) The filing of a correction statement does not affect the effectiveness of an initial financing statement or other filed record.

Section 130. Section **70A-9a-519** is enacted to read:

70A-9a-519. Numbering, maintaining, and indexing records -- Communicating information provided in records.

(1) For each record filed in a filing office, the filing office shall:
(a) assign a unique number to the filed record;
(b) create a record that bears the number assigned to the filed record and the date and time of filing;
(c) maintain the filed record for public inspection; and
(d) index the filed record in accordance with Subsections (3), (4), and (5).
(2) A file number assigned after January 1, 2004, must include a digit that:
(a) is mathematically derived from or related to the other digits of the file number; and
(b) aids the filing office in determining whether a number communicated as the file number includes a single-digit or transpositional error.
(3) Except as otherwise provided in Subsections (4) and (5), the filing office shall:
(a) index an initial financing statement according to the name of the debtor and index all filed records relating to the initial financing statement in a manner that associates with one another an initial financing statement and all filed records relating to the initial financing statement; and
(b) index a record that provides a name of a debtor which was not previously provided in the financing statement to which the record relates also according to the name that was not previously

provided.

(4) If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, it must be filed for record and the filing office shall index it:

(a) under the names of the debtor and of each owner of record shown on the financing statement as if they were the mortgagors under a mortgage of the real property described; and

(b) to the extent that the law of this state provides for indexing of records of mortgages under the name of the mortgagee, under the name of the secured party as if the secured party were the mortgagee thereunder, or, if indexing is by description, as if the financing statement were a record of a mortgage of the real property described.

(5) If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office shall index an assignment filed under Subsection 70A-9a-514(1) or an amendment filed under Subsection 70A-9a-514(2):

(a) under the name of the assignor as grantor; and

(b) to the extent that the law of this state provides for indexing a record of the assignment of a mortgage under the name of the assignee, under the name of the assignee, or, if indexing is by description, as if the financing statement were a record of a mortgage of the real property described.

(6) The filing office shall maintain a capability:

(a) to retrieve a record by the name of the debtor and:

(i) if the filing office is described in Subsection 70A-9a-501(1)(a):

(A) by the entry number assigned to the initial financing statement to which the record relates and the book and page that the record was filed or recorded; or

(B) by the legal description of the real property; or

(ii) if the filing office is described in Subsection 70A-9a-501(1)(b), by the file number assigned to the initial financing statement to which the record relates; and

(b) to associate and retrieve with one another an initial financing statement and each filed record relating to the initial financing statement.

(7) The filing office may not remove a debtor's name from the index until one year after the effectiveness of a financing statement naming the debtor lapses under Section 70A-9a-515 with

respect to all secured parties of record.

(8) The filing office shall perform the acts required by Subsections (1) through (5) at the time and in the manner prescribed by filing-office rule, but not later than two business days after the filing office receives the record in question.

(9) Subsections (2) and (8) do not apply to a filing office described in Subsection 70A-9a-501(1)(a).

Section 131. Section **70A-9a-520** is enacted to read:

70A-9a-520. Acceptance and refusal to accept record.

(1) A filing office shall refuse to accept a record for filing for a reason set forth in Subsection 70A-9a-516(2) and may refuse to accept a record for filing only for a reason set forth in Subsection 70A-9a-516(2).

(2) If a filing office refuses to accept a record for filing, it shall communicate to the person that presented the record the fact of and reason for the refusal and the date and time the record would have been filed had the filing office accepted it. The communication must be made at the time and in the manner prescribed by filing-office rule but, in the case of a filing office described in Subsection 70A-9a-501(1)(b), in no event more than two business days after the filing office receives the record.

(3) A filed financing statement satisfying Subsections 70A-9a-502(1) and (2) is effective, even if the filing office is required to refuse to accept it for filing under Subsection (1). However, Section 70A-9a-338 applies to a filed financing statement providing information described in Subsection 70A-9a-516(2)(e) which is incorrect at the time the financing statement is filed.

(4) If a record communicated to a filing office provides information that relates to more than one debtor, this part applies as to each debtor separately.

Section 132. Section **70A-9a-521** is enacted to read:

70A-9a-521. Uniform form of written financing statement and amendment.

(1) A filing office that accepts written records may not refuse to accept a written initial financing statement in the form and format set forth in the final official text of the 1999 revisions to Article 9 of the Uniform Commercial Code promulgated by The American Law Institute and the National Conference of Commissioners on Uniform State Laws, except for a reason set forth in

Subsection 70A-9a-516(2).

(2) A filing office that accepts written records may not refuse to accept a written record in the form and format set forth in the final official text of the 1999 revisions to Article 9 of the Uniform Commercial Code promulgated by The American Law Institute and the National Conference of Commissioners on Uniform State Laws, except for a reason set forth in Subsection 70A-9a-516(2).

Section 133. Section **70A-9a-522** is enacted to read:

70A-9a-522. Maintenance and destruction of records.

(1) The filing office shall maintain a record of the information provided in a filed financing statement for at least one year after the effectiveness of the financing statement has lapsed under Section 70A-9a-515 with respect to all secured parties of record. The record must be retrievable by using the name of the debtor and:

(a) if the record was filed or recorded in the filing office described in Subsection 70A-9a-501(1)(a):

(i) by using the entry number assigned to the initial financing statement to which the record relates and the book and page that the record was filed or recorded; or

(ii) by the legal description of the real property; or

(b) if the record was filed in the filing office described in Subsection 70A-9a-501(1)(b), by using the file number assigned to the initial financing statement to which the record relates.

(2) Except to the extent that a statute governing disposition of public records provides otherwise, the filing office immediately may destroy any written record evidencing a financing statement. However, if the filing office destroys a written record, it shall maintain another record of the financing statement which complies with Subsection (1).

Section 134. Section **70A-9a-523** is enacted to read:

70A-9a-523. Information from filing office -- Sale or license of records.

(1) If a person that files a written record requests an acknowledgment of the filing, the filing office shall send to the person an image of the record showing the number assigned to the record pursuant to Subsection 70A-9a-519(1)(a) and the date and time of the filing of the record. However, if the person furnishes a copy of the record to the filing office, the filing office may instead:

(a) note upon the copy the number assigned to the record pursuant to Subsection 70A-9a-519(1)(a) and the date and time of the filing of the record; and

(b) send the copy to the person.

(2) If a person files a record other than a written record, the filing office shall communicate to the person an acknowledgment that provides:

(a) the information in the record;

(b) the number assigned to the record pursuant to Subsection 70A-9a-519(1)(a); and

(c) the date and time of the filing of the record.

(3) The filing office shall communicate or otherwise make available in a record the following information to any person that requests it:

(a) whether there is on file on a date and time specified by the filing office, but not a date earlier than three business days before the filing office receives the request, any financing statement that:

(i) designates a particular debtor or, if the request so states, designates a particular debtor at the address specified in the request;

(ii) has not lapsed under Section 70A-9a-515 with respect to all secured parties of record; and

(iii) if the request so states, has lapsed under Section 70A-9a-515 and a record of which is maintained by the filing office under Subsection 70A-9a-522(1);

(b) the date and time of filing of each financing statement; and

(c) the information provided in each financing statement.

(4) In complying with its duty under Subsection (3), the filing office may communicate information in any medium. However, if requested, the filing office shall communicate information by issuing a record that can be admitted into evidence in the courts of this state without extrinsic evidence of its authenticity.

(5) The filing office shall perform the acts required by Subsections (1) through (4) at the time and in the manner prescribed by filing-office rule, but in the case of a filing office described in Subsection 70A-9a-501(1)(b) not later than two business days after the filing office receives the

request.

(6) At least weekly, the Division of Corporations and Commercial Code shall offer to sell or license to the public on a nonexclusive basis, in bulk, copies of all records filed in it under this part, in every medium from time to time available to the filing office.

(7) (a) Subsections (1) through (6) apply only to records filed in the Division of Corporations and Commercial Code.

(b) With respect to financing statements filed with a county recorder under this chapter, a county recorder shall provide receipts, acknowledgments of filings and copies, and permit searches of the records of the county recorder's office in the same manner as if the financing statements were records of mortgages.

Section 135. Section **70A-9a-524** is enacted to read:

70A-9a-524. Delay by filing office.

Delay by the filing office beyond a time limit prescribed by this part is excused if:

(1) the delay is caused by interruption of communication or computer facilities, war, emergency conditions, failure of equipment, or other circumstances beyond control of the filing office; and

(2) the filing office exercises reasonable diligence under the circumstances.

Section 136. Section **70A-9a-525** is enacted to read:

70A-9a-525. Fees.

(1) Except as otherwise provided in Subsection (3), the fee for the Division of Corporations and Commercial Code filing and indexing a record under this part, including an initial financing statement of the kind described in Subsection 70A-9a-502(3), shall:

(a) be determined by the Division of Corporations and Commercial Code;

(b) be reasonable and fair; and

(c) reflect the cost of services provided.

(2) The fee for the Division of Corporations and Commercial Code responding to a request for information from the Division of Corporations and Commercial Code, including for issuing a record showing whether there is on file any financing statement naming a particular debtor shall:

(a) be determined by the Division of Corporations and Commercial Code;

(b) be reasonable and fair; and

(c) reflect the cost of services provided.

(3) (a) This section does not require a fee with respect to a record of a mortgage which is effective as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut under Subsection 70A-9a-502(3). However, the recording and satisfaction fees that otherwise would be applicable to the record of the mortgage apply.

(b) (i) This section does not apply to fees charged by a filing office described in Subsection 70A-9a-501(1)(a).

(ii) A filing office described in Subsection 70A-9a-501(1)(a) shall charge fees in accordance with Section 21-2-3.

Section 137. Section **70A-9a-526** is enacted to read:

70A-9a-526. Filing-office rules.

(1) The Division of Corporations and Commercial Code shall adopt and publish rules to implement this chapter that apply to a filing office described in Subsection 70A-9a-501(1)(b). The filing-office rules must be:

(a) consistent with this chapter; and

(b) adopted and published in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act.

(2) To keep the filing-office rules and practices of the filing office in harmony with the rules and practices of filing offices in other jurisdictions that enact substantially this part, and to keep the technology used by the filing office compatible with the technology used by filing offices in other jurisdictions that enact substantially this part, the Division of Corporations and Commercial Code, so far as is consistent with the purposes, policies, and provisions of this chapter, in adopting, amending, and repealing filing-office rules, shall:

(a) consult with filing offices in other jurisdictions that enact substantially this part;

(b) consult the most recent version of the Model Rules promulgated by the International Association of Corporate Administrators or any successor organization; and

(c) take into consideration the rules and practices of, and the technology used by, filing offices in other jurisdictions that enact substantially this part.

Section 138. Section **70A-9a-527** is enacted to read:

70A-9a-527. Duty to report.

(1) The Division of Corporations and Commercial Code shall report annually to the Administrative Rules Review Committee created in Section 63-46a-11 on the operation of the filing office. The report must contain a statement of the extent to which:

(a) the filing-office rules are not in harmony with the rules of filing offices in other jurisdictions that enact substantially this part and the reasons for these variations; and

(b) the filing-office rules are not in harmony with the most recent version of the Model Rules promulgated by the International Association of Corporate Administrators, or any successor organization, and the reasons for these variations.

(2) The report required by Subsection (1) is in addition to any report to the Administrative Rules Review Committee required by Title 63, Chapter 46a, Utah Administrative Rulemaking Act.

Section 139. Section **70A-9a-601** is enacted to read:

Part 6. Default

70A-9a-601. Rights after default -- Judicial enforcement -- Consignor or buyer of accounts, chattel paper, payment intangibles, or promissory notes.

(1) After default, a secured party has the rights provided in this part and, except as otherwise provided in Section 70A-9a-602, those provided by agreement of the parties. A secured party:

(a) may reduce a claim to judgment, foreclose, or otherwise enforce the claim, security interest, or agricultural lien by any available judicial procedure; and

(b) if the collateral is documents, may proceed either as to the documents or as to the goods they cover.

(2) A secured party in possession of collateral or control of collateral under Section 70A-9a-104, 70A-9a-105, 70A-9a-106, or 70A-9a-107 has the rights and duties provided in Section 70A-9a-207.

(3) The rights under Subsections (1) and (2) are cumulative and may be exercised

simultaneously.

(4) Except as otherwise provided in Subsection (7) and Section 70A-9a-605, after default, a debtor and an obligor have the rights provided in this part and by agreement of the parties.

(5) If a secured party has reduced its claim to judgment, the lien of any levy that may be made upon the collateral by virtue of an execution based upon the judgment relates back to the earliest of:

(a) the date of perfection of the security interest or agricultural lien in the collateral;

(b) the date of filing a financing statement covering the collateral; or

(c) any date specified in a statute under which the agricultural lien was created.

(6) A sale pursuant to an execution is a foreclosure of the security interest or agricultural lien by judicial procedure within the meaning of this section. A secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of this chapter.

(7) Except as otherwise provided in Subsection 70A-9a-607(3), this part imposes no duties upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory notes.

Section 140. Section **70A-9a-602** is enacted to read:

70A-9a-602. Waiver and variance of rights and duties.

Except as otherwise provided in Section 70A-9a-624, to the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary the rules stated in the following listed sections:

(1) Subsection 70A-9a-207(2)(d)(iii), which deals with use and operation of the collateral by the secured party;

(2) Section 70A-9a-210, which deals with requests for an accounting and requests concerning a list of collateral and statement of account;

(3) Subsection 70A-9a-607(3), which deals with collection and enforcement of collateral;

(4) Subsections 70A-9a-608(1) and 70A-9a-615(3) to the extent that they deal with application or payment of noncash proceeds of collection, enforcement, or disposition;

(5) Subsections 70A-9a-608(1) and 70A-9a-615(4) to the extent that they require accounting for or payment of surplus proceeds of collateral;

(6) Section 70A-9a-609 to the extent that it imposes upon a secured party that takes possession of collateral without judicial process the duty to do so without breach of the peace;

(7) Subsection 70A-9a-610(2) and Sections 70A-9a-611, 70A-9a-613, and 70A-9a-614, which deal with disposition of collateral;

(8) Subsection 70A-9a-615(6), which deals with calculation of a deficiency or surplus when a disposition is made to the secured party, a person related to the secured party, or a secondary obligor;

(9) Section 70A-9a-616, which deals with explanation of the calculation of a surplus or deficiency;

(10) Sections 70A-9a-620, 70A-9a-621, and 70A-9a-622, which deal with acceptance of collateral in satisfaction of obligation;

(11) Section 70A-9a-623, which deals with redemption of collateral;

(12) Section 70A-9a-624, which deals with permissible waivers; and

(13) Sections 70A-9a-625 and 70A-9a-626, which deal with the secured party's liability for failure to comply with this chapter.

Section 141. Section **70A-9a-603** is enacted to read:

70A-9a-603. Agreement on standards concerning rights and duties.

(1) The parties may determine by agreement the standards measuring the fulfillment of the rights of a debtor or obligor and the duties of a secured party under a rule stated in Section 70A-9a-602 if the standards are not manifestly unreasonable.

(2) Subsection (1) does not apply to the duty under Section 70A-9a-609 to refrain from breaching the peace.

Section 142. Section **70A-9a-604** is enacted to read:

70A-9a-604. Procedure if security agreement covers real property or fixtures.

(1) If a security agreement covers both personal and real property, a secured party may proceed:

(a) under this part as to the personal property without prejudicing any rights with respect to the real property; or

(b) as to both the personal property and the real property in accordance with the rights with respect to the real property, in which case the other provisions of this part do not apply.

(2) Subject to Subsection (3), if a security agreement covers goods that are or become fixtures, a secured party may proceed:

(a) under this part; or

(b) in accordance with the rights with respect to real property, in which case the other provisions of this part do not apply.

(3) Subject to the other provisions of this part, if a secured party holding a security interest in fixtures has priority over all owners and encumbrancers of the real property, the secured party, after default, may remove the collateral from the real property.

(4) A secured party that removes collateral shall promptly reimburse any encumbrancer or owner of the real property, other than the debtor, for the cost of repair of any physical injury caused by the removal. The secured party need not reimburse the encumbrancer or owner for any diminution in value of the real property caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

Section 143. Section **70A-9a-605** is enacted to read:

70A-9a-605. Unknown debtor or secondary obligor.

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.

Section 144. Section **70A-9a-606** is enacted to read:

70A-9a-606. Time of default for agricultural lien.

For purposes of this part, a default occurs in connection with an agricultural lien at the time the secured party becomes entitled to enforce the lien in accordance with the statute under which it was created.

Section 145. Section **70A-9a-607** is enacted to read:

70A-9a-607. Collection and enforcement by secured party.

(1) If so agreed, and in any event after default, a secured party:

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

(b) may take any proceeds to which the secured party is entitled under Section 70A-9a-315;

(c) may enforce the obligations of an account debtor or other person obligated on collateral and exercise the rights of the debtor with respect to the obligation of the account debtor or other person obligated on collateral to make payment or otherwise render performance to the debtor, and with respect to any property that secures the obligations of the account debtor or other person obligated on the collateral;

(d) if it holds a security interest in a deposit account perfected by control under Subsection 70A-9a-104(1)(a), may apply the balance of the deposit account to the obligation secured by the deposit account; and

(e) if it holds a security interest in a deposit account perfected by control under Subsection 70A-9a-104(1)(b) or (c), may instruct the bank to pay the balance of the deposit account to or for the benefit of the secured party.

(2) If necessary to enable a secured party to exercise under Subsection (1)(c) the right of a debtor to enforce a mortgage nonjudicially, the secured party may record in the office in which a record of the mortgage is recorded:

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

(b) the secured party's sworn affidavit in recordable form stating that:

(i) a default has occurred; and

(ii) the secured party is entitled to enforce the mortgage nonjudicially.

(3) A secured party shall proceed in a commercially reasonable manner if the secured party:

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

(b) is entitled to charge back uncollected collateral or otherwise to full or limited recourse against the debtor or a secondary obligor.

(4) A secured party may deduct from the collections made pursuant to Subsection (3) reasonable expenses of collection and enforcement, including reasonable attorney's fees and legal expenses incurred by the secured party.

(5) This section does not determine whether an account debtor, bank, or other person obligated on collateral owes a duty to a secured party.

Section 146. Section **70A-9a-608** is enacted to read:

70A-9a-608. Application of proceeds of collection or enforcement -- Liability for deficiency and right to surplus.

(1) If a security interest or agricultural lien secures payment or performance of an obligation, the following rules apply:

(a) A secured party shall apply or pay over for application the cash proceeds of collection or enforcement under Section 70A-9a-607 in the following order to:

(i) 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;

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

(iii) 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 an authenticated demand for proceeds before distribution of the proceeds is completed.

(b) If requested by a secured party, a holder of a subordinate security interest or other lien

shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder complies, the secured party need not comply with the holder's demand under Subsection (1)(a)(iii).

(c) A secured party need not apply or pay over for application noncash proceeds of collection and enforcement under Section 70A-9a-607 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(d) A secured party shall account to and pay a debtor for any surplus, and the obligor is liable for any deficiency.

(2) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any deficiency.

Section 147. Section **70A-9a-609** is enacted to read:

70A-9a-609. Secured party's right to take possession after default.

(1) After default, a secured party:

(a) may take possession of the collateral; and

(b) without removal, may render equipment unusable and dispose of collateral on a debtor's premises under Section 70A-9a-610.

(2) A secured party may proceed under Subsection (1):

(a) pursuant to judicial process; or

(b) without judicial process, if it proceeds without breach of the peace.

(3) If so agreed, and in any event after default, a secured party may require the debtor to assemble the collateral and make it available to the secured party at a place to be designated by the secured party which is reasonably convenient to both parties.

Section 148. Section **70A-9a-610** is enacted to read:

70A-9a-610. Disposition of collateral after default.

(1) After default, a secured party may sell, lease, license, or otherwise dispose of any or all of the collateral in its present condition or following any commercially reasonable preparation or processing.

(2) Every aspect of a disposition of collateral, including the method, manner, time, place, and other terms, must be commercially reasonable. If commercially reasonable, a secured party may dispose of collateral by public or private proceedings, by one or more contracts, as a unit or in parcels, and at any time and place and on any terms.

(3) A secured party may purchase collateral:

(a) at a public disposition; or

(b) at a private disposition only if the collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations.

(4) A contract for sale, lease, license, or other disposition includes the warranties relating to title, possession, quiet enjoyment, and the like which by operation of law accompany a voluntary disposition of property of the kind subject to the contract.

(5) A secured party may disclaim or modify warranties under Subsection (4):

(a) in a manner that would be effective to disclaim or modify the warranties in a voluntary disposition of property of the kind subject to the contract of disposition; or

(b) by communicating to the purchaser a record evidencing the contract for disposition and including an express disclaimer or modification of the warranties.

(6) A record is sufficient to disclaim warranties under Subsection (5) if it indicates "There is no warranty relating to title, possession, quiet enjoyment, or the like in this disposition" or uses words of similar import.

Section 149. Section **70A-9a-611** is enacted to read:

70A-9a-611. Notification before disposition of collateral.

(1) In this section, "notification date" means the earlier of the date on which:

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

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

(2) Except as otherwise provided in Subsection (4), a secured party that disposes of collateral under Section 70A-9a-610 shall send to the persons specified in Subsection (3) a reasonable authenticated notification of disposition.

(3) To comply with Subsection (2), the secured party shall send an authenticated notification of disposition to:

(a) the debtor;

(b) any secondary obligor; and

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

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

(ii) any other secured party or lienholder that, ten 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:

(A) identified the collateral;

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

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

(iii) any other secured party that, ten days before the notification date, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in Subsection 70A-9a-311(1).

(4) Subsection (2) 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.

(5) A secured party complies with the requirement for notification prescribed by Subsection (3)(c)(ii) if:

(a) 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 (3)(c)(ii); and

(b) before the notification date, the secured party:

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

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

Section 150. Section **70A-9a-612** is enacted to read:

70A-9a-612. Timeliness of notification before disposition of collateral.

(1) Except as otherwise provided in Subsection (2), whether a notification is sent within a reasonable time is a question of fact.

(2) In a transaction other than a consumer transaction, a notification of disposition sent after default and ten days or more before the earliest time of disposition set forth in the notification is sent within a reasonable time before the disposition.

Section 151. Section **70A-9a-613** is enacted to read:

70A-9a-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 Subsection (1) are nevertheless sufficient is a question of fact.

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

(a) information not specified by that subsection; 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 Subsection 70A-9a-614(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]

[For a public disposition:]

We will sell [or lease or license, as applicable] the [describe collateral] [to the highest qualified bidder] in public as follows:

Day and Date: [Insert day and date]

Time: [Insert time]

Place: [Insert place]

[For a private disposition:]

We will sell [or lease or license, as applicable] the [describe collateral] privately sometime after [day and date].

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] [for a charge of \$[Insert amount]]. You may request an accounting by calling us at [telephone number].

Section 152. Section **70A-9a-614** is enacted to read:

70A-9a-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 Subsection 70A-9a-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 70A-9a-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:

[Name and address of secured party]

[Date]

NOTICE OF OUR PLAN TO SELL PROPERTY

[Name and address of any obligor who is also a debtor]

Subject: [Identification of Transaction]

We have your [describe collateral], because you broke promises in our agreement.

[For a public disposition:]

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

Date:

Time:

Place:

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

[For a private disposition:]

We will sell [describe collateral] at private sale sometime after [date]. A sale could include a lease or license.

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 you in writing how we have figured the amount that you owe us, you may call us at [telephone number] [or write us at [secured party's address]] and request a written explanation. [We will charge you \$[insert amount] for the explanation if we sent you another written explanation of the amount you owe us within the last six months.]

If you need more information about the sale call us at [telephone number] [or write us at [secured party's address]].

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].

(4) A notification in the form of Subsection (3) is sufficient, even if additional information appears at the end of the form.

(5) A notification in the form of Subsection (3) is sufficient, even if it includes errors in information not required by Subsection (1), unless the error is misleading with respect to rights arising under this chapter.

(6) If a notification under this section is not in the form of Subsection (3), law other than this chapter determines the effect of including information not required by Subsection (1).

Section 153. Section **70A-9a-615** is enacted to read:

70A-9a-615. Application of proceeds of disposition -- Liability for deficiency and right to surplus.

(1) A secured party shall apply or pay over for application the cash proceeds of disposition under Section 70A-9a-610 in the following order to:

(a) 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;

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

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

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

(ii) 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

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

(2) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder does so, the secured party need not comply with the holder's demand under Subsection (1)(c).

(3) A secured party need not apply or pay over for application noncash proceeds of disposition under Section 70A-9a-610 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(4) If the security interest under which a disposition is made secures payment or performance of an obligation, after making the payments and applications required by Subsection (1) and permitted by Subsection (3):

(a) unless Subsection (1)(d) requires the secured party to apply or pay over cash proceeds to a consignor, the secured party shall account to and pay a debtor for any surplus; and

(b) the obligor is liable for any deficiency.

(5) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes:

(a) the debtor is not entitled to any surplus; and

(b) the obligor is not liable for any deficiency.

(6) The surplus or deficiency following a disposition is calculated based on the amount of proceeds that would have been realized in a disposition complying with this part to a transferee other than the secured party, a person related to the secured party, or a secondary obligor if:

(a) the transferee in the disposition is the secured party, a person related to the secured party, or a secondary obligor; and

(b) the amount of proceeds of the disposition is significantly below the range of proceeds that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

(7) A secured party that receives cash proceeds of a disposition in good faith and without

knowledge that the receipt violates the rights of the holder of a security interest or other lien that is not subordinate to the security interest or agricultural lien under which the disposition is made:

- (a) takes the cash proceeds free of the security interest or other lien;
- (b) is not obligated to apply the proceeds of the disposition to the satisfaction of obligations secured by the security interest or other lien; and
- (c) is not obligated to account to or pay the holder of the security interest or other lien for any surplus.

Section 154. Section **70A-9a-616** is enacted to read:

70A-9a-616. Explanation of calculation of surplus or deficiency.

- (1) In this section:
 - (a) "Explanation" means a writing that:
 - (i) states the amount of the surplus or deficiency;
 - (ii) provides an explanation in accordance with Subsection (3) of how the secured party calculated the surplus or deficiency;
 - (iii) 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
 - (iv) provides a telephone number or mailing address from which additional information concerning the transaction is available.
 - (b) "Request" means a record:
 - (i) authenticated by a debtor or consumer obligor;
 - (ii) requesting that the recipient provide an explanation; and
 - (iii) sent after disposition of the collateral under Section 70A-9a-610.
- (2) 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 70A-9a-615, the secured party shall:
 - (a) send an explanation to the debtor or consumer obligor, as applicable, after the disposition and:
 - (i) before or when the secured party accounts to the debtor and pays any surplus or first makes written demand on the consumer obligor after the disposition for payment of the deficiency;

and

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

(b) 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.

(3) To comply with Subsection (1)(a)(ii), a writing must provide the following information in the following order:

(a) 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:

(i) 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

(ii) 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;

(b) the amount of proceeds of the disposition;

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

(d) 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;

(e) 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 Subsection (3)(a); and

(f) the amount of the surplus or deficiency.

(4) A particular phrasing of the explanation is not required. An explanation complying substantially with the requirements of Subsection (1) is sufficient, even if it includes minor errors that are not seriously misleading.

(5) A debtor or consumer obligor is entitled without charge to one response to a request

under this section during any six-month period in which the secured party did not send to the debtor or consumer obligor an explanation pursuant to Subsection (2)(a). The secured party may require payment of a charge not exceeding \$25 for each additional response.

Section 155. Section **70A-9a-617** is enacted to read:

70A-9a-617. Rights of transferee of collateral.

(1) A secured party's disposition of collateral after default:

(a) transfers to a transferee for value all of the debtor's rights in the collateral;

(b) discharges the security interest under which the disposition is made; and

(c) discharges any subordinate security interest or other subordinate lien.

(2) A transferee that acts in good faith takes free of the rights and interests described in

Subsection (1), even if the secured party fails to comply with this chapter or the requirements of any judicial proceeding.

(3) If a transferee does not take free of the rights and interests described in Subsection (1), the transferee takes the collateral subject to:

(a) the debtor's rights in the collateral;

(b) the security interest or agricultural lien under which the disposition is made; and

(c) any other security interest or other lien.

Section 156. Section **70A-9a-618** is enacted to read:

70A-9a-618. Rights and duties of certain secondary obligors.

(1) A secondary obligor acquires the rights and becomes obligated to perform the duties of the secured party after the secondary obligor:

(a) receives an assignment of a secured obligation from the secured party;

(b) receives a transfer of collateral from the secured party and agrees to accept the rights and assume the duties of the secured party; or

(c) is subrogated to the rights of a secured party with respect to collateral.

(2) An assignment, transfer, or subrogation described in Subsection (1):

(a) is not a disposition of collateral under Section 70A-9a-610; and

(b) relieves the secured party of further duties under this chapter.

Section 157. Section **70A-9a-619** is enacted to read:

70A-9a-619. Transfer of record or legal title.

(1) In this section, "transfer statement" means a record authenticated by a secured party stating:

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

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

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

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

(2) A transfer statement entitles the transferee to the transfer of record of all rights of the debtor in the collateral specified in the statement in any official filing, recording, registration, or certificate-of-title system covering the collateral. If a transfer statement is presented with the applicable fee and request form to the official or office responsible for maintaining the system, the official or office shall:

(a) accept the transfer statement;

(b) promptly amend its records to reflect the transfer; and

(c) if applicable, issue a new appropriate certificate of title in the name of the transferee.

(3) A transfer of the record or legal title to collateral to a secured party under Subsection (2) or otherwise is not of itself a disposition of collateral under this chapter and does not of itself relieve the secured party of its duties under this chapter.

Section 158. Section **70A-9a-620** is enacted to read:

70A-9a-620. Acceptance of collateral in full or partial satisfaction of obligation -- Compulsory disposition of collateral.

(1) Except as otherwise provided in Subsection (7), a secured party may accept collateral in full or partial satisfaction of the obligation it secures only if:

(a) the debtor consents to the acceptance under Subsection (3);

(b) the secured party does not receive, within the time set forth in Subsection (4), a notification of objection to the proposal authenticated by:

(i) a person to which the secured party was required to send a proposal under Section 70A-9a-621; or

(ii) 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;

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

(d) Subsection (5) does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to Section 70A-9a-624.

(2) A purported or apparent acceptance of collateral under this section is ineffective unless:

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

(b) the conditions of Subsection (1) are met.

(3) For purposes of this section:

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

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

(i) 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;

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

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

(4) To be effective under Subsection (1)(b), a notification of objection must be received by

the secured party:

(a) in the case of a person to which the proposal was sent pursuant to Section 70A-9a-621, within 20 days after notification was sent to that person; and

(b) in other cases:

(i) within 20 days after the last notification was sent pursuant to Section 70A-9a-621; or

(ii) if a notification was not sent, before the debtor consents to the acceptance under Subsection (3).

(5) A secured party that has taken possession of collateral shall dispose of the collateral pursuant to Section 70A-9a-610 within the time specified in Subsection (6) if:

(a) 60% of the cash price has been paid in the case of a purchase-money security interest in consumer goods; or

(b) 60% of the principal amount of the obligation secured has been paid in the case of a non-purchase-money security interest in consumer goods.

(6) To comply with Subsection (5), the secured party shall dispose of the collateral:

(a) within 90 days after taking possession; or

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

(7) In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

Section 159. Section **70A-9a-621** is enacted to read:

70A-9a-621. Notification of proposal to accept collateral.

(1) A secured party that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send its proposal to:

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

(b) any other secured party or lienholder that, ten 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:

(i) identified the collateral;
(ii) was indexed under the debtor's name as of that date; and
(iii) 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

(c) any other secured party that, ten 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 Subsection 70A-9a-311(1).

(2) A secured party that desires to accept collateral in partial satisfaction of the obligation it secures shall send its proposal to any secondary obligor in addition to the persons described in Subsection (1).

Section 160. Section **70A-9a-622** is enacted to read:

70A-9a-622. Effect of acceptance of collateral.

(1) A secured party's acceptance of collateral in full or partial satisfaction of the obligation it secures:

- (a) discharges the obligation to the extent consented to by the debtor;
- (b) transfers to the secured party all of a debtor's rights in the collateral;
- (c) discharges the security interest or agricultural lien that is the subject of the debtor's consent and any subordinate security interest or other subordinate lien; and
- (d) terminates any other subordinate interest.

(2) A subordinate interest is discharged or terminated under Subsection (1), even if the secured party fails to comply with this title.

Section 161. Section **70A-9a-623** is enacted to read:

70A-9a-623. Right to redeem collateral.

(1) A debtor, any secondary obligor, or any other secured party or lienholder may redeem collateral.

(2) To redeem collateral, a person shall tender:

- (a) fulfillment of all obligations secured by the collateral; and
- (b) the reasonable expenses and attorney's fees described in Subsection 70A-9a-615(1)(a).

(3) A redemption may occur at any time before a secured party:

(a) has collected collateral under Section 70A-9a-607;

(b) has disposed of collateral or entered into a contract for its disposition under Section 70A-9a-610; or

(c) has accepted collateral in full or partial satisfaction of the obligation it secures under Section 70A-9a-622.

Section 162. Section **70A-9a-624** is enacted to read:

70A-9a-624. Waiver.

(1) A debtor or secondary obligor may waive the right to notification of disposition of collateral under Section 70A-9a-611 only by an agreement to that effect entered into and authenticated after default.

(2) A debtor may waive the right to require disposition of collateral under Subsection 70A-9a-620(5) only by an agreement to that effect entered into and authenticated after default.

(3) Except in a consumer-goods transaction, a debtor or secondary obligor may waive the right to redeem collateral under Section 70A-9a-623 only by an agreement to that effect entered into and authenticated after default.

Section 163. Section **70A-9a-625** is enacted to read:

70A-9a-625. Remedies for secured party's failure to comply with chapter.

(1) If it is established that a secured party is not proceeding in accordance with this chapter, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

(2) Subject to Subsections (3), (4), and (5), a person is liable for damages in the amount of any loss caused by a failure to comply with this chapter. Loss caused by a failure to comply may include loss resulting from the debtor's inability to obtain, or increased costs of, alternative financing.

(3) Except as otherwise provided in Section 70A-9a-628:

(a) a person that, at the time of the failure, was a debtor, was an obligor, or held a security interest in or other lien on the collateral may recover damages under Subsection (2) for its loss; and

(b) if the collateral is consumer goods, a person that was a debtor or a secondary obligor at

the time a secured party failed to comply with this part may recover for that failure in any event an amount not less than the credit service charge plus 10% of the principal amount of the obligation or the time-price differential plus 10% of the cash price.

(4) A debtor whose deficiency is eliminated under Section 70A-9a-626 may recover damages for the loss of any surplus. However, a debtor or secondary obligor whose deficiency is eliminated or reduced under Section 70A-9a-626 may not otherwise recover under Subsection (2) for noncompliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(5) In addition to any damages recoverable under Subsection (2), the debtor, consumer obligor, or person named as a debtor in a filed record, as applicable, may recover \$500 in each case from a person that:

(a) fails to comply with Section 70A-9a-208;

(b) fails to comply with Section 70A-9a-209;

(c) files a record that the person is not entitled to file under Subsection 70A-9a-509(1);

(d) fails to cause the secured party of record to file or send a termination statement as required by Subsection 70A-9a-513(1) or (3);

(e) fails to comply with Subsection 70A-9a-616(2)(a) and whose failure is part of a pattern, or consistent with a practice, of noncompliance; or

(f) fails to comply with Subsection 70A-9a-616(2)(b).

(6) A debtor or consumer obligor may recover damages under Subsection (2) and, in addition, \$500 in each case from a person that, without reasonable cause, fails to comply with a request under Section 70A-9a-210. A recipient of a request under Section 70A-9a-210 which never claimed an interest in the collateral or obligations that are the subject of a request under that section has a reasonable excuse for failure to comply with the request within the meaning of this Subsection (6).

(7) If a secured party fails to comply with a request regarding a list of collateral or a statement of account under Section 70A-9a-210, the secured party may claim a security interest only as shown in the list or statement included in the request as against a person that is reasonably misled

by the failure.

Section 164. Section **70A-9a-626** is enacted to read:

70A-9a-626. Action in which deficiency or surplus is in issue.

(1) In an action arising from a transaction, other than a consumer transaction, in which the amount of a deficiency or surplus is in issue, the following rules apply:

(a) A secured party need not prove compliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance unless the debtor or a secondary obligor places the secured party's compliance in issue.

(b) If the secured party's compliance is placed in issue, the secured party has the burden of establishing that the collection, enforcement, disposition, or acceptance was conducted in accordance with this part.

(c) Except as otherwise provided in Section 70A-9a-628, if a secured party fails to prove that the collection, enforcement, disposition, or acceptance was conducted in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance, the liability of a debtor or a secondary obligor for a deficiency is limited to an amount by which the sum of the secured obligation, expenses, and attorney's fees exceeds the greater of:

(i) the proceeds of the collection, enforcement, disposition, or acceptance; or

(ii) the amount of proceeds that would have been realized had the noncomplying secured party proceeded in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(d) For purposes of Subsection (1)(c)(ii), the amount of proceeds that would have been realized is equal to the sum of the secured obligation, expenses, and attorney's fees unless the secured party proves that the amount is less than that sum.

(e) If a deficiency or surplus is calculated under Subsection 70A-9a-615(6), the debtor or obligor has the burden of establishing that the amount of proceeds of the disposition is significantly below the range of prices that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

(2) The limitation of the rules in Subsection (1) to transactions other than consumer

transactions is intended to leave to the court the determination of the proper rules in consumer transactions. The court may not infer from that limitation the nature of the proper rule in consumer transactions and may continue to apply established approaches.

Section 165. Section **70A-9a-627** is enacted to read:

70A-9a-627. Determination of whether conduct was commercially reasonable.

(1) The fact that a greater amount could have been obtained by a collection, enforcement, disposition, or acceptance at a different time or in a different method from that selected by the secured party is not of itself sufficient to preclude the secured party from establishing that the collection, enforcement, disposition, or acceptance was made in a commercially reasonable manner.

(2) A disposition of collateral is made in a commercially reasonable manner if the disposition is made:

(a) in the usual manner on any recognized market;

(b) at the price current in any recognized market at the time of the disposition; or

(c) otherwise in conformity with reasonable commercial practices among dealers in the type of property that was the subject of the disposition.

(3) A collection, enforcement, disposition, or acceptance is commercially reasonable if it has been approved:

(a) in a judicial proceeding;

(b) by a bona fide creditors' committee;

(c) by a representative of creditors; or

(d) by an assignee for the benefit of creditors.

(4) Approval under Subsection (3) need not be obtained, and lack of approval does not mean that the collection, enforcement, disposition, or acceptance is not commercially reasonable.

Section 166. Section **70A-9a-628** is enacted to read:

70A-9a-628. Nonliability and limitation on liability of secured party -- Liability of secondary obligor.

(1) 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:

(a) 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 chapter; and

(b) the secured party's failure to comply with this chapter does not affect the liability of the person for a deficiency.

(2) A secured party is not liable because of its status as secured party:

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

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

(ii) the identity of the person; and

(iii) how to communicate with the person; or

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

(i) that the person is a debtor; and

(ii) the identity of the person.

(3) A secured party is not liable to any person, and a person's liability for a deficiency is not affected, because of any act or omission arising out of the secured party's reasonable belief that a transaction is not a consumer-goods transaction or a consumer transaction or that goods are not consumer goods, if the secured party's belief is based on its reasonable reliance on:

(a) a debtor's representation concerning the purpose for which collateral was to be used, acquired, or held; or

(b) an obligor's representation concerning the purpose for which a secured obligation was incurred.

(4) A secured party is not liable to any person under Subsection 70A-9a-625(3)(b) for its failure to comply with Section 70A-9a-616.

(5) A secured party is not liable under Section 70A-9a-625(3)(b) more than once with respect to any one secured obligation.

Section 167. Section **70A-9a-701** is enacted to read:

Part 7. Transition

70A-9a-701. Effective date -- Terminology.

(1) This act takes effect on July 1, 2001.

(2) References in this part to "former Chapter 9" are to Chapter 9 as in effect on June 30, 2001.

Section 168. Section **70A-9a-702** is enacted to read:

70A-9a-702. Savings clause.

(1) Except as otherwise provided in this part, this act applies to a transaction or lien within its scope, even if the transaction or lien was entered into or created before this act takes effect.

(2) Except as otherwise provided in Subsection (3) and Sections 70A-9a-703 through 70A-9a-709:

(a) transactions and liens that were not governed by former Chapter 9, were validly entered into or created before this act takes effect, and would be subject to this act if they had been entered into or created after this act takes effect, and the rights, duties, and interests flowing from those transactions and liens remain valid after this act takes effect; and

(b) the transactions and liens may be terminated, completed, consummated, and enforced as required or permitted by this act or by the law that otherwise would apply if this act had not taken effect.

(3) This act does not affect an action, case, or proceeding commenced before this act takes effect.

Section 169. Section **70A-9a-703** is enacted to read:

70A-9a-703. Security interest perfected before effective date.

(1) A security interest that is enforceable immediately before this act takes effect and would have priority over the rights of a person that becomes a lien creditor at that time is a perfected security interest under this act if, when this act takes effect, the applicable requirements for enforceability and perfection under this act are satisfied without further action.

(2) Except as otherwise provided in Section 70A-9a-705, if, immediately before this act takes effect, a security interest is enforceable and would have priority over the rights of a person that becomes a lien creditor at that time, but the applicable requirements for enforceability or perfection under this act are not satisfied when this act takes effect, the security interest:

- (a) is a perfected security interest for one year after this act takes effect;
- (b) remains enforceable thereafter only if the security interest becomes enforceable under Section 70A-9a-203 before the year expires; and
- (c) remains perfected thereafter only if the applicable requirements for perfection under this act are satisfied before the year expires.

Section 170. Section **70A-9a-704** is enacted to read:

70A-9a-704. Security interest unperfected before effective date.

A security interest that is enforceable immediately before this act takes effect but which would be subordinate to the rights of a person that becomes a lien creditor at that time:

- (1) remains an enforceable security interest for one year after this act takes effect;
- (2) remains enforceable thereafter if the security interest becomes enforceable under Section 70A-9a-203 when this act takes effect or within one year thereafter; and
- (3) becomes perfected:
 - (a) without further action, when this act takes effect 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 171. Section **70A-9a-705** is enacted to read:

70A-9a-705. Effectiveness of action taken before effective date.

(1) If action, other than the filing of a financing statement, is taken before this act takes effect and the action would have resulted in priority of a security interest over the rights of a person that becomes a lien creditor had the security interest become enforceable before this act takes effect, the action is effective to perfect a security interest that attaches under this act within one year after this act takes effect. An attached security interest becomes unperfected one year after this act takes effect unless the security interest becomes a perfected security interest under this act before the expiration of that period.

(2) The filing of a financing statement before this act takes effect is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under

this act.

(3) This act does not render ineffective an effective financing statement that, before this act takes effect, is filed and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in former Section 70A-9-103. However, except as otherwise provided in Subsections (4) and (5) and Section 70A-9a-706, the financing statement ceases to be effective at the earlier of:

(a) the time the financing statement would have ceased to be effective under the law of the jurisdiction in which it is filed; or

(b) June 30, 2006.

(4) The filing of a continuation statement after this act takes effect does not continue the effectiveness of the financing statement filed before this act takes effect. However, upon the timely filing of a continuation statement after this act takes effect and in accordance with the law of the jurisdiction governing perfection as provided in Part 3, the effectiveness of a financing statement filed in the same office in that jurisdiction before this act takes effect continues for the period provided by the law of that jurisdiction.

(5) Subsection (3)(b) applies to a financing statement that, before this act takes effect, is filed against a transmitting utility and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in former Section 70A-9-103 only to the extent that Part 3 provides that the law of a jurisdiction other than the jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

(6) A financing statement that includes a financing statement filed before this act takes effect and a continuation statement filed after this act takes effect is effective only to the extent that it satisfies the requirements of Part 5 for an initial financing statement.

Section 172. Section **70A-9a-706** is enacted to read:

70A-9a-706. When initial financing statement suffices to continue effectiveness of financing statement.

(1) The filing of an initial financing statement in the office specified in Section 70A-9a-501

continues the effectiveness of a financing statement filed before this act takes effect if:

(a) the filing of an initial financing statement in that office would be effective to perfect a security interest under this act;

(b) the pre-effective-date financing statement was filed in an office in another state or another office in this state; and

(c) the initial financing statement satisfies Subsection (3).

(2) The filing of an initial financing statement under Subsection (1) continues the effectiveness of the pre-effective-date financing statement:

(a) if the initial financing statement is filed before this act takes effect, for the period provided in former Section 70A-9-403 with respect to a financing statement; and

(b) if the initial financing statement is filed after this act takes effect, for the period provided in Section 70A-9a-515 with respect to an initial financing statement.

(3) To be effective for purposes of Subsection (1), an initial financing statement must:

(a) satisfy the requirements of Part 5 for an initial financing statement;

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

(c) indicate that the pre-effective-date financing statement remains effective.

Section 173. Section **70A-9a-707** is enacted to read:

70A-9a-707. Amendment of pre-effective-date financing statement.

(1) In this section, "pre-effective-date financing statement" means a financing statement filed before this act takes effect.

(2) After this act takes effect, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or otherwise amend the information provided in, a pre-effective-date financing statement only in accordance with the law of the jurisdiction governing perfection as provided in Part 3. However, the effectiveness of a pre-effective-date financing statement also may be terminated in accordance with the law of the jurisdiction in which the financing statement is filed.

(3) Except as otherwise provided in Subsection (4), if the law of this state governs perfection of a security interest, the information in a pre-effective-date financing statement may be amended after this act takes effect only if:

(a) the pre-effective-date financing statement and an amendment are filed in the office specified in Section 70A-9a-501;

(b) an amendment is filed in the office specified in Section 70A-9a-501 concurrently with, or after the filing in that office of, an initial financing statement that satisfies Subsection 70A-9a-706(3); or

(c) an initial financing statement that provides the information as amended and satisfies Subsection 70A-9a-706(3) is filed in the office specified in Section 70A-9a-501.

(4) If the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement may be continued only under Subsections 70A-9a-705(4) and (6) or Section 70A-9a-706.

(5) Whether or not the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement filed in this state may be terminated after this act takes effect by filing a termination statement in the office in which the pre-effective-date financing statement is filed, unless an initial financing statement that satisfies Subsection 70A-9a-706(3) has been filed in the office specified by the law of the jurisdiction governing perfection as provided in Part 3 as the office in which to file a financing statement.

Section 174. Section **70A-9a-708** is enacted to read:

70A-9a-708. Persons entitled to file initial financing statement or continuation statement.

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

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

(2) the filing is necessary under this part:

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

(b) to perfect or continue the perfection of a security interest.

Section 175. Section **70A-9a-709** is enacted to read:

70A-9a-709. Priority.

(1) This act determines the priority of conflicting claims to collateral. However, if the relative priorities of the claims were established before this act takes effect, former Chapter 9 determines priority.

(2) For purposes of Subsection 70A-9a-322(1), the priority of a security interest that becomes enforceable under Section 70A-9a-203 of this act dates from the time this act takes effect if the security interest is perfected under this act by the filing of a financing statement before this act takes effect which would not have been effective to perfect the security interest under former Chapter 9. This Subsection (2) does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement.

Section 176. Repealer.

This act repeals:

Section 70A-9-101, Short title.

Section 70A-9-102, Policy and subject matter of chapter.

Section 70A-9-103, Perfection of security interests in multiple state transactions.

Section 70A-9-104, Transactions excluded from chapter.

Section 70A-9-105, Definitions and index of definitions.

Section 70A-9-106, Definitions -- "Account" -- "General intangibles."

Section 70A-9-107, Definition -- "Purchase money security interest."

Section 70A-9-108, When after-acquired collateral not security for antecedent debt.

Section 70A-9-109, Classification of goods -- "Consumer goods" -- "Equipment" -- "Farm products" -- "Inventory."

Section 70A-9-110, Sufficiency of description.

Section 70A-9-112, Where collateral is not owned by debtor.

Section 70A-9-113, Security interests arising under Chapter 2, Sales.

Section 70A-9-114, Consignment.

Section 70A-9-115, Investment property.

Section 70A-9-116, Security interest arising in purchase or delivery of financial asset.

Section 70A-9-201, General validity of security agreement.

Section 70A-9-202, Title to collateral immaterial.

Section 70A-9-203, Attachment and enforceability of security interest -- Proceeds --

Formal requisites.

Section 70A-9-204, After-acquired property -- Future advances.

Section 70A-9-205, Use or disposition of collateral without accounting permissible.

Section 70A-9-206, Agreement not to assert defenses against assignee -- Modification of sales warranties where security agreement exists.

Section 70A-9-207, Rights and duties when collateral is in secured party's possession.

Section 70A-9-208, Request for statement of account or list of collateral.

Section 70A-9-301, Persons who take priority over unperfected security interests --

Rights of "lien creditor."

Section 70A-9-302, When filing is required to perfect security interest -- Security interests to which filing provisions of this chapter do not apply.

Section 70A-9-303, When security interest is perfected -- Continuity of perfection.

Section 70A-9-304, Perfection of security interest in instruments, documents, proceeds of a written letter of credit, and goods covered by documents -- Perfection by permissive filing-- Temporary perfection without filing or transfer of possession.

Section 70A-9-305, When possession by secured party perfects security interest without filing.

Section 70A-9-306, "Proceeds" -- Secured party's rights on disposition of collateral or debtor's insolvency.

Section 70A-9-307, Protection of buyers of goods.

Section 70A-9-308, Purchase of chattel paper and instruments.

Section 70A-9-309, Protection of purchasers of instruments, documents, and securities.

Section 70A-9-310, Priority of certain liens arising by operation of law.

Section 70A-9-311, Alienability of debtor's rights -- Judicial process.

Section 70A-9-312, Priorities among conflicting security interests in the same collateral.

Section 70A-9-313, Priority of security interests in fixtures.

Section 70A-9-314, Accessions.

Section 70A-9-315, Priority when goods are commingled or processed.

Section 70A-9-316, Priority subject to subordination.

Section 70A-9-317, Secured party not obligated on contract of debtor.

Section 70A-9-318, Defenses against assignee -- Modification of contract after notification of assignment -- Term prohibiting assignment ineffective -- Identification and proof of assignment.

Section 70A-9-400, Rules to implement central filing system.

Section 70A-9-401, Place of filing -- Erroneous filing -- Removal of collateral.

Section 70A-9-402, Formal requisites of financing statement -- Amendments -- Mortgage as financing statement -- Form of financing statement.

Section 70A-9-403, What constitutes filing -- Required statement -- Duration of filing -- Effect of lapsed filing -- Duties of filing officer.

Section 70A-9-404, Termination statement.

Section 70A-9-405, Assignment of security interest -- Duties of filing officer -- Fees.

Section 70A-9-406, Release of collateral -- Duties of filing officer -- Fees.

Section 70A-9-407, Information from filing officer -- Fees.

Section 70A-9-408, Financing statements covering consigned or leased goods.

Section 70A-9-409, Destruction of old records.

Section 70A-9-501, Default -- Procedure when security agreement covers both real and personal property.

Section 70A-9-502, Collection rights of secured party.

Section 70A-9-503, Secured party's right to take possession after default.

Section 70A-9-504, Secured party's right to dispose of collateral after default -- Effect of disposition.

Section 70A-9-505, Compulsory disposition of collateral -- Acceptance of the collateral as discharge of obligation.

Section **70A-9-506**, Debtor's right to redeem collateral.

Section **70A-9-507**, Secured party's liability for failure to comply with this part.

Section 177. **Effective date.**

This act takes effect on July 1, 2001.