

SECOND REGULAR SESSION

# SENATE BILL NO. 766

97TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR KEAVENY.

Read 1st time January 23, 2014, and ordered printed.

TERRY L. SPIELER, Secretary.

5465S.011

## AN ACT

To repeal sections 400.9-102, 400.9-105, 400.9-311, 400.9-317, 400.9-326, 400.9-503, 400.9-507, 400.9-516, 400.9-607, 400.9-802, 400.9-805, 400.9-806, and 400.2A-103, RSMo, and to enact in lieu thereof thirteen new sections relating to secured transactions.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 400.9-102, 400.9-105, 400.9-311, 400.9-317, 400.9-326, 2 400.9-503, 400.9-507, 400.9-516, 400.9-607, 400.9-802, 400.9-805, 400.9-806, and 3 400.2A-103, RSMo, are repealed and thirteen new sections enacted in lieu thereof, 4 to be known as sections 400.9-102, 400.9-105, 400.9-311, 400.9-317, 400.9-326, 5 400.9-503, 400.9-507, 400.9-516, 400.9-607, 400.9-802, 400.9-805, 400.9-806, and 6 400.2A-103, to read as follows:

400.9-102. (a) In this article:

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

4 (2) "Account", except as used in "account for", means a right to payment  
5 of a monetary obligation, whether or not earned by performance, (i) for property  
6 that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of,  
7 (ii) for services rendered or to be rendered, (iii) for a policy of insurance issued  
8 or to be issued, (iv) for a secondary obligation incurred or to be incurred, (v) for  
9 energy provided or to be provided, (vi) for the use or hire of a vessel under a  
10 charter or other contract, (vii) arising out of the use of a credit or charge card or  
11 information contained on or for use with the card, or (viii) as winnings in a  
12 lottery or other game of chance operated or sponsored by a state, governmental  
13 unit of a state, or person licensed or authorized to operate the game by a state or

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

14 governmental unit of a state. The term includes health-care-insurance  
15 receivables. The term does not include (i) rights to payment evidenced by chattel  
16 paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv)  
17 investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to  
18 payment for money or funds advanced or sold, other than rights arising out of the  
19 use of a credit or charge card or information contained on or for use with the  
20 card;

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

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

25 (A) Authenticated by a secured party;

26 (B) Indicating the aggregate unpaid secured obligations as of a date not  
27 more than thirty-five days earlier or thirty-five days later than the date of the  
28 record; and

29 (C) Identifying the components of the obligations in reasonable detail;

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

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

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

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

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

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

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

42 (C) Whose effectiveness does not depend on the person's possession of the  
43 personal property;

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

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

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

48 (ii) Attaches to the minerals as extracted; or

49 (B) Accounts arising out of the sale at the wellhead or minehead of oil,

- 50 gas, or other minerals in which the debtor had an interest before extraction;
- 51 (7) "Authenticate" means:
- 52 (A) To sign; or
- 53 (B) With the present intent to adopt or accept a record, to attach to or
- 54 logically associate with the record an electronic sound, symbol or process;
- 55 (8) "Bank" means an organization that is engaged in the business of
- 56 banking. The term includes savings banks, savings and loan associations, credit
- 57 unions, and trust companies;
- 58 (9) "Cash proceeds" means proceeds that are money, checks, deposit
- 59 accounts, or the like;
- 60 (10) "Certificate of title" means a certificate of title with respect to which
- 61 a statute provides for the security interest in question to be indicated on the
- 62 certificate as a condition or result of the security interest's obtaining priority over
- 63 the rights of a lien creditor with respect to the collateral. The term includes
- 64 another record maintained as an alternative to a certificate of title by the
- 65 governmental unit that issues certificates of title if a statute permits the security
- 66 interest in question to be indicated on the record as a condition or result of the
- 67 security interest's obtaining priority over the rights of a lien creditor with respect
- 68 to the collateral;
- 69 (11) "Chattel paper" means a record or records that evidence both a
- 70 monetary obligation and a security interest in specific goods, a security interest
- 71 in specific goods and software used in the goods, a security interest in specific
- 72 goods and license of software used in the goods, a lease of specific goods, or a
- 73 lease of specific goods and license of software used in the goods. In this
- 74 paragraph, "monetary obligation" means a monetary obligation secured by the
- 75 goods or owed under a lease of the goods and includes a monetary obligation with
- 76 respect to software used in the goods. The term does not include (i) charters or
- 77 other contracts involving the use or hire of a vessel or (ii) records that evidence
- 78 a right to payment arising out of the use of a credit or charge card or information
- 79 contained on or for use with the card. If a transaction is evidenced by records
- 80 that include an instrument or series of instruments, the group of records taken
- 81 together constitutes chattel paper;
- 82 (12) "Collateral" means the property subject to a security interest or
- 83 agricultural lien. The term includes:
- 84 (A) Proceeds to which a security interest attaches;
- 85 (B) Accounts, chattel paper, payment intangibles, and promissory notes

86 that have been sold; and

87 (C) Goods that are the subject of a consignment;

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

90 (A) The claimant is an organization; or

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

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

93 (ii) Does not include damages arising out of personal injury to or the  
94 death of an individual;

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

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

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

103 (B) Traded on a foreign commodity board of trade, exchange, or market,  
104 and is carried on the books of a commodity intermediary for a commodity  
105 customer;

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

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

109 (A) Is registered as a futures commission merchant under federal  
110 commodities law; or

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

114 (18) "Communicate" means:

115 (A) To send a written or other tangible record;

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

118 (C) In the case of transmission of a record to or by a filing office, to  
119 transmit a record by any means prescribed by filing-office rule;

120 (19) "Consignee" means a merchant to which goods are delivered in a  
121 consignment;

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

124 (A) The merchant:

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

127 (ii) Is not an auctioneer; and

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

130 (B) With respect to each delivery, the aggregate value of the goods is one  
131 thousand dollars or more at the time of delivery;

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

133 (D) The transaction does not create a security interest that secures an  
134 obligation;

135 (21) "Consignor" means a person that delivers goods to a consignee in a  
136 consignment;

137 (22) "Consumer debtor" means a debtor in a consumer transaction;

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

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

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

144 (B) A security interest in consumer goods secures the obligation;

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

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

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

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

157 (B) Indicates that it is a continuation statement for, or that it is filed to

158 continue the effectiveness of, the identified financing statement;

159 (28) "Debtor" means:

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

162 (B) A seller of accounts, chattel paper, payment intangibles, or promissory  
163 notes; or

164 (C) A consignee;

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

168 (30) "Document" means a document of title or a receipt of the type  
169 described in section 400.7-201(2);

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

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

174 (33) "Equipment" means goods other than inventory, farm products, or  
175 consumer goods;

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

178 (A) Crops grown, growing, or to be grown, including:

179 (i) Crops produced on trees, vines, and bushes; and

180 (ii) Aquatic goods produced in aquacultural operations;

181 (B) Livestock, born or unborn, including aquatic goods produced in  
182 aquacultural operations;

183 (C) Supplies used or produced in a farming operation; or

184 (D) Products of crops or livestock in their unmanufactured states;

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

187 (36) "File number" means the number assigned to an initial financing  
188 statement pursuant to section 400.9-519(a);

189 (37) "Filing office" means an office designated in section 400.9-501 as the  
190 place to file a financing statement;

191 (38) "Filing-office rule" means a rule adopted pursuant to section  
192 400.9-526;

193 (39) "Financing statement" means a record or records composed of an

194 initial financing statement and any filed record relating to the initial financing  
195 statement;

196 (40) "Fixture filing" means the filing of a financing statement covering  
197 goods that are or are to become fixtures and satisfying section 400.9-502(a) and  
198 (b). The term includes the filing of a financing statement covering goods of a  
199 transmitting utility which are or are to become fixtures;

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

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

207 (43) "Good faith" means honesty in fact;

208 (44) "Goods" means all things that are movable when a security interest  
209 attaches. The term includes (i) fixtures, (ii) standing timber that is to be cut and  
210 removed under a conveyance or contract for sale, (iii) the unborn young of  
211 animals, (iv) crops grown, growing, or to be grown, even if the crops are produced  
212 on trees, vines, or bushes, and (v) manufactured homes. The term also includes  
213 a computer program embedded in goods and any supporting information provided  
214 in connection with a transaction relating to the program if (i) the program is  
215 associated with the goods in such a manner that it customarily is considered part  
216 of the goods, or (ii) by becoming the owner of the goods, a person acquires a right  
217 to use the program in connection with the goods. The term does not include a  
218 computer program embedded in goods that consist solely of the medium in which  
219 the program is embedded. The term also does not include accounts, chattel paper,  
220 commercial tort claims, deposit accounts, documents, general intangibles,  
221 instruments, investment property, letter-of-credit rights, letters of credit, money,  
222 or oil, gas, or other minerals before extraction;

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

228 (46) "Health-care-insurance receivable" means an interest in or claim  
229 under a policy of insurance which is a right to payment of a monetary obligation

230 for health-care goods or services provided or to be provided;

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

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

239 (A) Are leased by a person as lessor;

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

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

243 (D) Consist of raw materials, work in process, or materials used or  
244 consumed in a business;

245 (49) "Investment property" means a security, whether certificated or  
246 uncertificated, security entitlement, securities account, commodity contract, or  
247 commodity account;

248 (50) "Jurisdiction of organization", with respect to a registered  
249 organization, means the jurisdiction under whose law the organization is formed  
250 or organized;

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

255 (52) "Lien creditor" means:

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

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

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

260 (D) A receiver in equity from the time of appointment;

261 (53) "Manufactured home" means a structure, transportable in one or  
262 more sections, which, in the traveling mode, is eight body feet or more in width  
263 or forty body feet or more in length, or, when erected on site, is three hundred  
264 twenty or more square feet, and which is built on a permanent chassis and  
265 designed to be used as a dwelling with or without a permanent foundation when



266 connected to the required utilities, and includes the plumbing, heating,  
267 air-conditioning, and electrical systems contained therein. The term includes any  
268 structure that meets all of the requirements of this paragraph except the size  
269 requirements and with respect to which the manufacturer voluntarily files a  
270 certification required by the United States Secretary of Housing and Urban  
271 Development and complies with the standards established under Title 42 of the  
272 United States Code;

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

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

276 (B) In which a manufactured home, other than a manufactured home held  
277 as inventory, is the primary collateral;

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

280 (56) "New debtor" means a person that becomes bound as debtor under  
281 section 400.9-203(d) by a security agreement previously entered into by another  
282 person;

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

287 (58) "Noncash proceeds" means proceeds other than cash proceeds;

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

295 (60) "Original debtor", except as used in section 400.9-310(c), means a  
296 person that, as debtor, entered into a security agreement to which a new debtor  
297 has become bound under section 400.9-203(d);

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

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

301 (A) The spouse of the individual;

- 302 (B) A brother, brother-in-law, sister, or sister-in-law of the individual;  
303 (C) An ancestor or lineal descendant of the individual or the individual's  
304 spouse; or  
305 (D) Any other relative, by blood or marriage, of the individual or the  
306 individual's spouse who shares the same home with the individual;
- 307 (63) "Person related to", with respect to an organization, means:  
308 (A) A person directly or indirectly controlling, controlled by, or under  
309 common control with the organization;  
310 (B) An officer or director of, or a person performing similar functions with  
311 respect to, the organization;  
312 (C) An officer or director of, or a person performing similar functions with  
313 respect to, a person described in subparagraph (A);  
314 (D) The spouse of an individual described in subparagraph (A), (B), or (C);  
315 or  
316 (E) An individual who is related by blood or marriage to an individual  
317 described in subparagraph (A), (B), (C), or (D) and shares the same home with the  
318 individual;
- 319 (64) "Proceeds", except as used in section 400.9-609(b), means the  
320 following property:  
321 (A) Whatever is acquired upon the sale, lease, license, exchange, or other  
322 disposition of collateral;  
323 (B) Whatever is collected on, or distributed on account of, collateral;  
324 (C) Rights arising out of collateral;  
325 (D) To the extent of the value of collateral, claims arising out of the loss,  
326 nonconformity, or interference with the use of, defects or infringement of rights  
327 in, or damage to, the collateral; or  
328 (E) To the extent of the value of collateral and to the extent payable to the  
329 debtor or the secured party, insurance payable by reason of the loss or  
330 nonconformity of, defects or infringement of rights in, or damage to, the collateral;
- 331 (65) "Promissory note" means an instrument that evidences a promise to  
332 pay a monetary obligation, does not evidence an order to pay, and does not  
333 contain an acknowledgment by a bank that the bank has received for deposit a  
334 sum of money or funds;
- 335 (66) "Proposal" means a record authenticated by a secured party which  
336 includes the terms on which the secured party is willing to accept collateral in  
337 full or partial satisfaction of the obligation it secures pursuant to sections

338 400.9-620, 400.9-621 and 400.9-622;

339 (67) "Public organic record" means a record that is available to the public  
340 for inspection and is:

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

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

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

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

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

362 (70) "Registered organization" means an organization formed or organized  
363 solely under the law of a single state or the United States by the filing of a public  
364 organic record with, the issuance of a public organic record by, or the enactment  
365 of legislation by the state or the United States. The term includes a business  
366 trust that is formed or organized under the law of a single state if a statute of the  
367 state governing business trusts requires that the business trust's organic record  
368 be filed with the state;

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

370 (A) The obligor's obligation is secondary; or

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

373 (72) "Secured party" means:

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

377 (B) A person that holds an agricultural lien;

378 (C) A consignor;

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

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

384 (F) A person that holds a security interest arising under sections  
385 400.2-401, 400.2-505, 400.2-711(3), 400.2A-508(5), 400.4-210 or 400.5-118;

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

388 (74) "Send", in connection with a record or notification, means:

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

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

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

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

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

404 (78) "Tangible chattel paper" means chattel paper evidenced by a record  
405 or records consisting of information that is inscribed on a tangible medium;

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

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

410 (B) Indicates either that it is a termination statement or that the  
411 identified financing statement is no longer effective;

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

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

415 (B) Transmitting communications electrically, electromagnetically, or by  
416 light;

417 (C) Transmitting goods by pipeline or sewer; or

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

420 (b) **"Control" as provided in section 400.8-106 and** the following  
421 definitions in other articles apply to this article:

422 "Applicant" Section 400.5-102.

423 "Beneficiary" Section 400.5-102.

424 "Broker" Section 400.8-102.

425 "Certificated security" Section 400.8-102.

426 "Check" Section 400.3-104.

427 "Clearing corporation" Section 400.8-102.

428 "Contract for sale" Section 400.2-106.

429 "Customer" Section 400.4-104.

430 "Entitlement holder" Section 400.8-102.

431 "Financial asset" Section 400.8-102.

432 "Holder in due course" Section 400.3-302.

433 "Issuer" (with respect to a  
434 letter of credit or  
435 letter-of-credit right) Section 400.5-102.

436 "Issuer" (with respect  
437 to a security) Section 400.8-201.

438 "Lease " Section 400.2A-103.

439 "Lease agreement" Section 400.2A-103.

440 "Lease contract" Section 400.2A-103.

441 "Leasehold interest" Section 400.2A-103.

442 "Lessee" Section 400.2A-103.

443 "Lessee in ordinary  
444 course of business" Section 400.2A-103.

445 "Lessor" Section 400.2A-103.

446	"Lessor's residual interest"	Section 400.2A-103.
447	"Letter of credit"	Section 400.5-102.
448	"Merchant"	Section 400.2-104.
449	"Negotiable instrument"	Section 400.3-104.
450	"Nominated person"	Section 400.5-102.
451	"Note"	Section 400.3-104.
452	"Proceeds of a	
453	letter of credit"	Section 400.5-114.
454	"Prove"	Section 400.3-103.
455	"Sale"	Section 400.2-106.
456	"Securities account"	Section 400.8-501.
457	"Securities intermediary"	Section 400.8-102.
458	"Security"	Section 400.8-102.
459	"Security certificate"	Section 400.8-102.
460	"Security entitlement"	Section 400.8-102.
461	"Uncertificated security"	Section 400.8-102.

462 (c) This section contains general definitions and principles of construction  
 463 and interpretation applicable throughout sections 400.9-103 to [400.9-708] **400.9-**  
 464 **809.**

400.9-105. (a) A secured party has control of electronic chattel paper if  
 2 **a system employed for evidencing the transfer of interests in the**  
 3 **chattel paper reliably establishes the secured party as the person to**  
 4 **which the chattel paper was assigned.**

5 (b) A system satisfies subsection (a) if the record or records  
 6 comprising the chattel paper are created, stored, and assigned in such a manner  
 7 that:

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

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

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

15 (4) Copies or [revisions] **amendments** that add or change an identified  
 16 assignee of the authoritative copy can be made only with the [participation]  
 17 **consent** of the secured party;

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

20 (6) Any [revision] **amendment** of the authoritative copy is readily  
21 identifiable as [an] authorized or unauthorized [revision].

400.9-311. (a) Except as otherwise provided in subsection (d), the filing  
2 of a financing statement is not necessary or effective to perfect a security interest  
3 in property subject to:

4 (1) A statute, regulation, or treaty of the United States whose  
5 requirements for a security interest's obtaining priority over the rights of a lien  
6 creditor with respect to the property preempt section 400.9-310(a);

7 (2) Sections 301.600 to 301.661, section 700.350, and section 400.2A-304;  
8 or

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

13 (b) Compliance with the requirements of a statute, regulation, or treaty  
14 described in subsection (a) for obtaining priority over the rights of a lien creditor  
15 is equivalent to the filing of a financing statement under this article. Except as  
16 otherwise provided in subsection (d) and sections 400.9-313 and 400.9-316(d) and  
17 (e) for goods covered by a certificate of title, a security interest in property subject  
18 to a statute, regulation, or treaty described in subsection (a) may be perfected  
19 only by compliance with those requirements, and a security interest so perfected  
20 remains perfected notwithstanding a change in the use or transfer of possession  
21 of the collateral.

22 (c) Except as otherwise provided in subsection (d) and section 400.9-316(d)  
23 and (e), duration and renewal of perfection of a security interest perfected by  
24 compliance with the requirements prescribed by a statute, regulation, or treaty  
25 described in subsection (a) are governed by the statute, regulation, or treaty. In  
26 other respects, the security interest is subject to this article.

27 (d) During any period in which collateral is inventory held for sale or  
28 lease by a person or leased by that person as lessor and that person is in the  
29 business of selling goods of that kind, this section does not apply to a security  
30 interest in that collateral created by that person.

400.9-317. (a) A security interest or agricultural lien is subordinate to the  
2 rights of:

3 (1) A person entitled to priority under section 400.9-322; and

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

6 (A) The security interest or agricultural lien is perfected; or

7 (B) One of the conditions specified in section 400.9-203(b)(3) is met and  
8 a financing statement covering the collateral is filed.

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

15 (c) Except as otherwise provided in subsection (e), a lessee of goods takes  
16 free of a security interest or agricultural lien if the lessee gives value and receives  
17 delivery of the collateral without knowledge of the security interest or  
18 agricultural lien and before it is perfected.

19 (d) A licensee of a general intangible or a buyer, other than a secured  
20 party, of collateral other than tangible chattel paper, tangible documents, goods,  
21 instruments, or a certificated security takes free of a security interest if the  
22 licensee or buyer gives value without knowledge of the security interest and  
23 before it is perfected.

24 (e) Except as otherwise provided in sections 400.9-320 and 400.9-321, if  
25 a person files a financing statement with respect to a purchase-money security  
26 interest before or within twenty days after the debtor receives delivery of the  
27 collateral, the security interest takes priority over the rights of a buyer, lessee,  
28 or lien creditor which arise between the time the security interest attaches and  
29 the time of filing.

400.9-326. (a) Subject to subsection (b), a security interest that is created  
2 by a new debtor in collateral in which the new debtor has or acquires rights and  
3 is perfected solely by a filed financing statement that would be [effective]  
4 **ineffective** to perfect the security interest but for the application of section  
5 **400.9-316(i)(1) or** 400.9-508 is subordinate to a security interest in the same  
6 collateral which is perfected other than by such a filed financing statement.

7 (b) The other provisions of this part determine the priority among  
8 conflicting security interests in the same collateral perfected by filed financing  
9 statements described in subsection (a). However, if the security agreements to



10 which a new debtor became bound as debtor were not entered into by the same  
11 original debtor, the conflicting security interests rank according to priority in  
12 time of the new debtor's having become bound.

400.9-503. (a) A financing statement sufficiently provides the name of the  
2 debtor:

3 (1) Except as otherwise provided in paragraph (3), if the debtor is a  
4 registered organization or the collateral is held in a trust that is a registered  
5 organization, only if the financing statement provides the name that is stated to  
6 be the registered organization's name on the public organic record most recently  
7 filed with or issued or enacted by the registered organization's jurisdiction of  
8 organization which purports to state, amend, or restate the registered  
9 organization's name;

10 (2) Subject to subsection (f), if the collateral is being administered by the  
11 personal representative of a decedent, only if the financing statement provides as  
12 the name of the debtor, the name of the decedent and, in a separate part of the  
13 financing statement, indicates that the collateral is being administered by a  
14 personal representative;

15 (3) If the collateral is held in a trust that is not a registered organization,  
16 only if the financing statement:

17 (A) Provides, as the name of the debtor:

18 (i) If the organic record of the trust specifies a name for the trust, the  
19 name specified; or

20 (ii) If the organic record of the trust does not specify a name for the trust,  
21 the name of the settlor or testator; and

22 (B) In a separate part of the financing statement:

23 (i) If the name is provided in accordance with subparagraph (A)(i),  
24 indicates that the collateral is held in a trust; or

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

30 (4) Subject to subsection (g), if the debtor is an individual to whom this  
31 state has issued a driver's license **or nondriver's license** that has not expired,  
32 only if the financing statement provides the name of the individual which is  
33 indicated on the driver's license **or nondriver's license**;

34 (5) If the debtor is an individual to whom paragraph (4) does not apply,  
35 only if the financing statement provides the individual name of the debtor or the  
36 surname and first personal name of the debtor; and

37 (6) In other cases:

38 (A) If the debtor has a name, only if the financing statement provides the  
39 organizational name of the debtor; and

40 (B) If the debtor does not have a name, only if it provides the names of  
41 the partners, members, associates, or other persons comprising the debtor, in a  
42 manner that each name provided would be sufficient if the person named were  
43 the debtor.

44 (b) A financing statement that provides the name of the debtor in  
45 accordance with subsection (a) is not rendered ineffective by the absence of:

46 (1) A trade name or other name of the debtor; or

47 (2) Unless required under subsection [(a)(4)(B)] **(a)(6)(B)**, names of  
48 partners, members, associates, or other persons comprising the debtor.

49 (c) A financing statement that provides only the debtor's trade name does  
50 not sufficiently provide the name of the debtor.

51 (d) Failure to indicate the representative capacity of a secured party or  
52 representative of a secured party does not affect the sufficiency of a financing  
53 statement.

54 (e) A financing statement may provide the name of more than one debtor  
55 and the name of more than one secured party.

56 (f) The name of the decedent indicated on the order appointing the  
57 personal representative of the decedent issued by the court having jurisdiction  
58 over the collateral is sufficient as the name of the decedent under subsection  
59 (a)(2).

60 (g) If this state has issued to an individual more than one driver's license  
61 **or nondriver's license** of a kind described in subsection (a)(4), the one that was  
62 issued most recently is the one to which subsection (a)(4) refers.

63 (h) In this section, the name of the settlor or testator means:

64 (1) If the settlor is a registered organization, the name that is stated to  
65 be the settlor's name on the public organic record most recently filed with or  
66 issued or enacted by the settlor's jurisdiction of organization which purports to  
67 state, amend, or restate the settlor's name; or

68 (2) In other cases, the name of the settlor or testator indicated in the  
69 trust's organic record.

400.9-507. (a) A filed financing statement remains effective with respect  
2 to collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and  
3 in which a security interest or agricultural lien continues, even if the secured  
4 party knows of or consents to the disposition.

5 (b) Except as otherwise provided in subsection (c) and section 400.9-508,  
6 a financing statement is not rendered ineffective if, after the financing statement  
7 is filed, the information provided in the financing statement becomes seriously  
8 misleading under section 400.9-506.

9 (c) If [a debtor so changes its] **the** name that a filed financing statement  
10 **provides for a debtor becomes insufficient as the name of the debtor**  
11 **under section 400.9-503(a) so that the financing statement becomes**  
12 seriously misleading under section 400.9-506:

13 (1) The financing statement is effective to perfect a security interest in  
14 collateral acquired by the debtor before, or within four months after, the [change]  
15 **filed financing statement becomes seriously misleading**; and

16 (2) The financing statement is not effective to perfect a security interest  
17 in collateral acquired by the debtor more than four months after the [change]  
18 **filed financing statement becomes seriously misleading**, unless an  
19 amendment to the financing statement which renders the financing statement not  
20 seriously misleading is filed within four months after the [change] **financing**  
21 **statement became seriously misleading**.

400.9-516. (a) Except as otherwise provided in subsection (b),  
2 communication of a record to a filing office and tender of the filing fee or  
3 acceptance of the record by the filing office constitutes filing.

4 (b) Filing does not occur with respect to a record that a filing office  
5 refuses to accept because:

6 (1) The record is not communicated by a method or medium of  
7 communication authorized by the filing office;

8 (2) An amount equal to or greater than the applicable filing fee is not  
9 tendered;

10 (3) The filing office is unable to index the record because:

11 (A) In the case of an initial financing statement, the record does not  
12 provide a name for the debtor;

13 (B) In the case of an amendment or [correction] **information** statement,  
14 the record:

15 (i) Does not identify the initial financing statement as required by section

16 400.9-512 or 400.9-518, as applicable; or

17 (ii) Identifies an initial financing statement whose effectiveness has  
18 lapsed under section 400.9-515;

19 (C) In the case of an initial financing statement that provides the name  
20 of a debtor identified as an individual or an amendment that provides a name of  
21 a debtor identified as an individual which was not previously provided in the  
22 financing statement to which the record relates, the record does not identify the  
23 debtor's [last name] **surname**; or

24 (D) In the case of a record filed or recorded in the filing office described  
25 in section 400.9-501(a)(1), the record does not provide a sufficient description of  
26 the real property to which it relates;

27 (4) In the case of an initial financing statement or an amendment that  
28 adds a secured party of record, the record does not provide a name and mailing  
29 address for the secured party of record;

30 (5) In the case of an initial financing statement or an amendment that  
31 provides a name of a debtor which was not previously provided in the financing  
32 statement to which the amendment relates, the record does not:

33 (A) Provide a mailing address for the debtor; or

34 (B) Indicate whether the name provided as the name of the debtor is the  
35 name of an individual or an organization;

36 (6) In the case of an assignment reflected in an initial financing statement  
37 under section 400.9-514(a) or an amendment filed under section 400.9-514(b), the  
38 record does not provide a name and mailing address for the assignee; or

39 (7) In the case of a continuation statement, the record is not filed within  
40 the six-month period prescribed by section 400.9-515(d).

41 (c) For purposes of subsection (b):

42 (1) A record does not provide information if the filing office is unable to  
43 read or decipher the information; and

44 (2) A record that does not indicate that it is an amendment or identify an  
45 initial financing statement to which it relates, as required by section 400.9-512,  
46 400.9-514 or 400.9-518, is an initial financing statement.

47 (d) A record that is communicated to the filing office with tender of the  
48 filing fee, but which the filing office refuses to accept for a reason other than one  
49 set forth in subsection (b), is effective as a filed record except as against a  
50 purchaser of the collateral which gives value in reasonable reliance upon the  
51 absence of the record from the files.

400.9-607. (a) If so agreed, and in any event after default, a secured  
2 party:

3 (1) May notify an account debtor or other person obligated on collateral  
4 to make payment or otherwise render performance to or for the benefit of the  
5 secured party;

6 (2) May take any proceeds to which the secured party is entitled under  
7 section 400.9-315;

8 (3) May enforce the obligations of an account debtor or other person  
9 obligated on collateral and exercise the rights of the debtor with respect to the  
10 obligation of the account debtor or other person obligated on collateral to make  
11 payment or otherwise render performance to the debtor, and with respect to any  
12 property that secures the obligations of the account debtor or other person  
13 obligated on the collateral;

14 (4) If it holds a security interest in a deposit account perfected by control  
15 under section 400.9-104(a)(1), may apply the balance of the deposit account to the  
16 obligation secured by the deposit account; and

17 (5) If it holds a security interest in a deposit account perfected by control  
18 under section 400.9-104(a)(2) or (3), may instruct the bank to pay the balance of  
19 the deposit account to or for the benefit of the secured party.

20 (b) If necessary to enable a secured party to exercise under subsection  
21 (a)(3) the right of a debtor to enforce a mortgage nonjudicially, the secured party  
22 may record in the office in which a record of the mortgage is recorded:

23 (1) A copy of the security agreement that creates or provides for a security  
24 interest in the obligation secured by the mortgage; and

25 (2) The secured party's sworn affidavit in recordable form stating that:

26 (A) A default has occurred **with respect to the obligation secured by**  
27 **the mortgage**; and

28 (B) The secured party is entitled to enforce the mortgage nonjudicially.

29 (c) A secured party shall proceed in a commercially reasonable manner if  
30 the secured party:

31 (1) Undertakes to collect from or enforce an obligation of an account  
32 debtor or other person obligated on collateral; and

33 (2) Is entitled to charge back uncollected collateral or otherwise to full or  
34 limited recourse against the debtor or a secondary obligor.

35 (d) A secured party may deduct from the collections made pursuant to  
36 subsection (c) reasonable expenses of collection and enforcement, including

37 reasonable attorney's fees and legal expenses incurred by the secured party.

38 (e) This section does not determine whether an account debtor, bank, or  
39 other person obligated on collateral owes a duty to a secured party.

400.9-802. (a) Except as otherwise provided in this part, this act applies  
2 to a transaction or lien within its scope, even if the transaction or lien was  
3 entered into or created [before this act takes effect on July 1, 2013] **prior to**  
4 **August 28, 2013.**

5 (b) This act does not affect an action, case, or proceeding commenced  
6 before this act takes effect.

400.9-805. (a) The filing of a financing statement before this act takes  
2 effect is effective to perfect a security interest to the extent the filing would  
3 satisfy the applicable requirements for perfection under article 9 as amended by  
4 this act.

5 (b) This act does not render ineffective an effective financing statement  
6 that, before this act takes effect, is filed and satisfies the applicable requirements  
7 for perfection under the law of the jurisdiction governing perfection as provided  
8 in article 9 as it existed before amendment. However, except as otherwise  
9 provided in subsections (c) and (d) and section 400.9-806, the financing statement  
10 ceases to be effective:

11 (1) If the financing statement is filed in this state, at the time the  
12 financing statement would have ceased to be effective had this act not taken  
13 effect; or

14 (2) If the financing statement is filed in another jurisdiction, at the earlier  
15 of:

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

18 (B) **[June 30, 2018] August 27, 2018.**

19 (c) The filing of a continuation statement after this act takes effect does  
20 not continue the effectiveness of a financing statement filed before this act takes  
21 effect. However, upon the timely filing of a continuation statement after this act  
22 takes effect and in accordance with the law of the jurisdiction governing  
23 perfection as provided in article 9 as amended by this act, the effectiveness of a  
24 financing statement filed in the same office in that jurisdiction before this act  
25 takes effect continues for the period provided by the law of that jurisdiction.

26 (d) Subsection (b)(2)(B) applies to a financing statement that, before this  
27 act takes effect, is filed against a transmitting utility and satisfies the applicable

28 requirements for perfection under the law of the jurisdiction governing perfection  
29 as provided in article 9 as it existed before amendment, only to the extent that  
30 article 9 as amended by this act provides that the law of a jurisdiction other than  
31 the jurisdiction in which the financing statement is filed governs perfection of a  
32 security interest in collateral covered by the financing statement.

33 (e) A financing statement that includes a financing statement filed before  
34 this act takes effect and a continuation statement filed after this act takes effect  
35 is effective only to the extent that it satisfies the requirements of Part 5 as  
36 amended by this act for an initial financing statement. A financing statement  
37 that indicates that the debtor is a decedent's estate indicates that the collateral  
38 is being administered by a personal representative within the meaning of section  
39 400.9-503(a)(2) as amended by this act. A financing statement that indicates that  
40 the debtor is a trust or is a trustee acting with respect to property held in trust  
41 indicates that the collateral is held in a trust within the meaning of section  
42 400.9-503(a)(3) as amended by this act.

400.9-806. (a) The filing of an initial financing statement in the office  
2 specified in section 400.9-501 continues the effectiveness of a financing statement  
3 filed before this act takes effect if:

4 (1) The filing of an initial financing statement in that office would be  
5 effective to perfect a security interest under article 9 as amended by this act;

6 (2) The pre-effective-date financing statement was filed in an office in  
7 another state; and

8 (3) The initial financing statement satisfies subsection (c).

9 (b) The filing of an initial financing statement under subsection (a)  
10 continues the effectiveness of the pre-effective-date financing statement:

11 (1) If the initial financing statement is filed before this act takes effect,  
12 for the period provided in unamended section 400.9-515 with respect to an initial  
13 financing statement; **[or] and**

14 (2) If the initial financing statement is filed after this act takes effect, for  
15 the period provided in section 400.9-515 as amended by this act with respect to  
16 an initial financing statement.

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

19 (1) Satisfy the requirements of section 400.9-500, et. seq., as amended by  
20 this act for an initial financing statement;

21 (2) Identify the pre-effective-date financing statement by indicating the

22 office in which the financing statement was filed and providing the dates of filing  
23 and file numbers, if any, of the financing statement and of the most recent  
24 continuation statement filed with respect to the financing statement; and

25 (3) Indicate that the pre-effective-date financing statement remains  
26 effective.

400.2A-103. (1) In this article unless the context otherwise requires:

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

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

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

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

22 (e) "Consumer lease" means a lease that a lessor regularly engaged in the  
23 business of leasing or selling makes to a lessee who is an individual and who  
24 takes under the lease primarily for a personal, family, or household purpose, if  
25 the total payments to be made under the lease contract, excluding payments for  
26 option to renew or buy, do not exceed fifty thousand dollars.

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

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

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

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



32 (iii) one of the following occurs:

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

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

39 (C) the lessor (aa) informs the lessee in writing of the identity of the  
40 supplier, unless the lessee has selected the supplier and directed the lessor to  
41 purchase the goods from the supplier, (bb) informs the lessee in writing that the  
42 lessee may have rights under the contract evidencing the lessor's purchase of the  
43 goods, and (cc) advised the lessee in writing to contact the supplier for a  
44 description of any such rights, or

45 (D) the lease contract discloses all warranties and other rights provided  
46 to the lessee by the lessor and supplier in connection with the lease contract and  
47 informs the lessee that there are no warranties or other rights provided to the  
48 lessee by the lessor and supplier other than those disclosed in the lease contract.

49 (h) "Goods" means all things that are movable at the time of identification  
50 to the lease contract, or are fixtures as defined in Section 400.2A-309, but the  
51 term does not include money, documents, instruments, accounts, chattel paper,  
52 general intangibles, or minerals or the like, including oil and gas, before  
53 extraction. The term also includes the unborn young of animals.

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

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

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

67 (l) "Lease contract" means the total legal obligation that results from the

68 lease agreement as affected by this Article and any other applicable rules of  
69 law. Unless the context clearly indicates otherwise, the term includes a sublease  
70 contract.

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

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

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

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

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

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

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

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

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

104 entered into.

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

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

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

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

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

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

117 "Accessions". Section 400.2A-310(1).

118 "Construction mortgage". Section 400.2A-309(1)(d).

119 "Encumbrance". Section 400.2A-309(1)(e).

120 "Fixtures". Section 400.2A-309(1)(a).

121 "Fixture filing". Section 400.2A-309(1)(b).

122 "Purchase money lease". Section 400.2A-309(1)(c).

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

124 "Account". Section 400.9-102(a)(2).

125 "Between merchants". Section 400.2-104(3).

126 "Buyer". Section 400.2-103(1)(a).

127 "Chattel paper". Section 400.9-102(a)(10).

128 "Consumer goods". Section 400.9-102(a)(22).

129 "Document". Section 400.9-102(a)(29).

130 "Entrusting". Section 400.2-403(3).

131 "General intangible". Section 400.9-102(a)(41).

132 "Good faith". Section 400.2-103(1)(b).

133 "Instrument". Section 400.9-102(a)(46).

134 "Merchant". Section 400.2-104(1).

135 "Mortgage". Section 400.9-102(a)(54).

136 "Pursuant to commitment". Section 400.9-102(a)[(67)] **(68)**.

137 "Receipt". Section 400.2-103(1)(c).

138 "Sale". Section 400.2-106(1).

139 "Sale on approval". Section 400.2-326.

140 "Sale or return". Section 400.2-326.  
141 "Seller". Section 400.2-103(1)(d).  
142 (4) In addition article 1 contains general definitions and principles of  
143 construction and interpretation applicable throughout this article.

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