

HSB 736

Strey, Chair  
Kettering  
Parmenter

JUDICIARY

Succeeded by  
HOUSE FILE SE 02513  
BY (PROPOSED COMMITTEE ON  
JUDICIARY BILL BY  
CHAIRPERSON LARSON)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act providing for secured transactions under the uniform  
2 commercial code, by adopting new Article 9, eliminating  
3 conflicting provisions, and providing an effective date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23



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

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

7 d. "Accounting", except as used in "accounting for", means  
8 a record:

- 9 (1) authenticated by a secured party;
- 10 (2) indicating the aggregate unpaid secured obligations as  
11 of a date not more than thirty-five days earlier or thirty-  
12 five days later than the date of the record; and
- 13 (3) identifying the components of the obligations in  
14 reasonable detail.

15 e. "Agricultural lien" means an interest, other than a  
16 security interest, in farm products:

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

- 19 (a) goods or services furnished in connection with a  
20 debtor's farming operation; or
- 21 (b) rent on real property leased by a debtor in connection  
22 with its farming operation;

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

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

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

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

31 f. "As-extracted collateral" means:

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

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

1 (b) attaches to the minerals as extracted; or  
2 (2) accounts arising out of the sale at the wellhead or  
3 minehead of oil, gas, or other minerals in which the debtor  
4 had an interest before extraction.

5 g. "Authenticate" means:

6 (1) to sign; or

7 (2) to execute or otherwise adopt a symbol, or encrypt or  
8 similarly process a record in whole or in part, with the  
9 present intent of the authenticating person to identify the  
10 person and adopt or accept a record.

11 h. "Bank" means an organization that is engaged in the  
12 business of banking. The term includes savings banks, savings  
13 and loan associations, credit unions, and trust companies.

14 i. "Cash proceeds" means proceeds that are money, checks,  
15 deposit accounts, or the like.

16 j. "Certificate of title" means a certificate of title  
17 with respect to which a statute provides for the security  
18 interest in question to be indicated on the certificate as a  
19 condition or result of the security interest's obtaining  
20 priority over the rights of a lien creditor with respect to  
21 the collateral.

22 k. "Chattel paper" means a record or records that evidence  
23 both a monetary obligation and a security interest in specific  
24 goods, a security interest in specific goods and software used  
25 in the goods, a security interest in specific goods and  
26 license of software used in the goods, a lease of specific  
27 goods, or a lease of specific goods and license of software  
28 used in the goods. In this paragraph, "monetary obligation"  
29 means a monetary obligation secured by the goods or owed under  
30 a lease of the goods and includes a monetary obligation with  
31 respect to software used in the goods. The term does not  
32 include charters or other contracts involving the use or hire  
33 of a vessel. If a transaction is evidenced by records that  
34 include an instrument or series of instruments, the group of  
35 records taken together constitutes chattel paper.

1 1. "Collateral" means the property subject to a security  
2 interest or agricultural lien. The term includes:

- 3 (1) proceeds to which a security interest attaches;
- 4 (2) accounts, chattel paper, payment intangibles, and
- 5 promissory notes that have been sold; and
- 6 (3) goods that are the subject of a consignment.

7 m. "Commercial tort claim" means a claim arising in tort  
8 with respect to which:

- 9 (1) the claimant is an organization; or
- 10 (2) the claimant is an individual and the claim:
  - 11 (a) arose in the course of the claimant's business or
  - 12 profession; and
  - 13 (b) does not include damages arising out of personal
  - 14 injury to or the death of an individual.

15 n. "Commodity account" means an account maintained by a  
16 commodity intermediary in which a commodity contract is  
17 carried for a commodity customer.

18 o. "Commodity contract" means a commodity futures  
19 contract, an option on a commodity futures contract, a  
20 commodity option, or another contract if the contract or  
21 option is:

- 22 (1) traded on or subject to the rules of a board of trade
- 23 that has been designated as a contract market for such a
- 24 contract pursuant to federal commodities laws; or
- 25 (2) traded on a foreign commodity board of trade,
- 26 exchange, or market, and is carried on the books of a
- 27 commodity intermediary for a commodity customer.

28 p. "Commodity customer" means a person for which a  
29 commodity intermediary carries a commodity contract on its  
30 books.

31 q. "Commodity intermediary" means a person that:

- 32 (1) is registered as a futures commission merchant under
- 33 federal commodities law; or
- 34 (2) in the ordinary course of its business provides
- 35 clearance or settlement services for a board of trade that has

1 been designated as a contract market pursuant to federal  
2 commodities law.

3 r. "Communicate" means:

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

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

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

10 s. "Consignee" means a merchant to which goods are  
11 delivered in a consignment.

12 t. "Consignment" means a transaction, regardless of its  
13 form, in which a person delivers goods to a merchant for the  
14 purpose of sale and:

15 (1) the merchant:

16 (a) deals in goods of that kind under a name other than  
17 the name of the person making delivery;

18 (b) is not an auctioneer; and

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

21 (2) with respect to each delivery, the aggregate value of  
22 the goods is one thousand dollars or more at the time of  
23 delivery;

24 (3) the goods are not consumer goods immediately before  
25 delivery; and

26 (4) the transaction does not create a security interest  
27 that secures an obligation.

28 u. "Consignor" means a person that delivers goods to a  
29 consignee in a consignment.

30 v. "Consumer debtor" means a debtor in a consumer  
31 transaction.

32 w. "Consumer goods" means goods that are used or bought  
33 for use primarily for personal, family, or household purposes.

34 x. "Consumer-goods transaction" means a consumer  
35 transaction in which:

1 (1) an individual incurs an obligation primarily for  
2 personal, family, or household purposes; and

3 (2) a security interest in consumer goods secures the  
4 obligation.

5 y. "Consumer obligor" means an obligor who is an  
6 individual and who incurred the obligation as part of a  
7 transaction entered into primarily for personal, family, or  
8 household purposes.

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

15 aa. "Continuation statement" means an amendment of a  
16 financing statement which:

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

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

22 ab. "Debtor" means:

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

26 (2) a seller of accounts, chattel paper, payment  
27 intangibles, or promissory notes; or

28 (3) a consignee.

29 ac. "Deposit account" means a demand, time, savings,  
30 passbook, or similar account maintained with a bank. The term  
31 does not include investment property or accounts evidenced by  
32 an instrument.

33 ad. "Document" means a document of title or a receipt of  
34 the type described in section 554.7201, subsection 2.

35 ae. "Electronic chattel paper" means chattel paper

1 evidenced by a record or records consisting of information  
2 stored in an electronic medium.

3 af. "Encumbrance" means a right, other than an ownership  
4 interest, in real property. The term includes mortgages and  
5 other liens on real property.

6 ag. "Equipment" means goods other than inventory, farm  
7 products, or consumer goods.

8 ah. "Farm products" means goods, other than standing  
9 timber, with respect to which the debtor is engaged in a  
10 farming operation and which are:

11 (1) crops grown, growing, or to be grown, including:

12 (a) crops produced on trees, vines, and bushes; and

13 (b) aquatic goods produced in aquacultural operations;

14 (2) livestock, born or unborn, including aquatic goods  
15 produced in aquacultural operations;

16 (3) supplies used or produced in a farming operation; or

17 (4) products of crops or livestock in their unmanufactured  
18 states.

19 ai. "Farming operation" means raising, cultivating,  
20 propagating, fattening, grazing, or any other farming,  
21 livestock, or aquacultural operation.

22 aj. "File number" means the number assigned to an initial  
23 financing statement pursuant to section 554.9519, subsection  
24 1.

25 ak. "Filing office" means an office designated in section  
26 554.9501 as the place to file a financing statement.

27 al. "Filing-office rule" means a rule adopted pursuant to  
28 section 554.9526.

29 am. "Financing statement" means a record or records  
30 composed of an initial financing statement and any filed  
31 record relating to the initial financing statement.

32 an. "Fixture filing" means the filing of a financing  
33 statement covering goods that are or are to become fixtures  
34 and satisfying section 554.9502, subsections 1 and 2. The  
35 term includes the filing of a financing statement covering



1 goods of a transmitting utility which are or are to become  
2 fixtures.

3     ao. "Fixtures" means goods that have become so related to  
4 particular real property that an interest in them arises under  
5 real property law.

6     ap. "General intangible" means any personal property,  
7 including things in action, other than accounts, chattel  
8 paper, commercial tort claims, deposit accounts, documents,  
9 goods, instruments, investment property, letter-of-credit  
10 rights, letters of credit, money, and oil, gas, or other  
11 minerals before extraction. The term includes payment  
12 intangibles and software.

13     aq. "Good faith" means honesty in fact and the observance  
14 of reasonable commercial standards of fair dealing.

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

35     as. "Governmental unit" means a subdivision, agency,

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

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

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

21 av. "Inventory" means goods, other than farm products,  
22 which:

23 (1) are leased by a person as lessor;

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

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

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

30 aw. "Investment property" means a security, whether  
31 certificated or uncertificated, security entitlement,  
32 securities account, commodity contract, or commodity account.

33 ax. "Jurisdiction of organization", with respect to a  
34 registered organization, means the jurisdiction under whose  
35 law the organization is organized.

1 ay. "Letter-of-credit right" means a right to payment or  
2 performance under a letter of credit, whether or not the  
3 beneficiary has demanded or is at the time entitled to demand  
4 payment or performance. The term does not include the right  
5 of a beneficiary to demand payment or performance under a  
6 letter of credit.

7 az. "Lien creditor" means:

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

10 (2) an assignee for benefit of creditors from the time of  
11 assignment;

12 (3) a trustee in bankruptcy from the date of the filing of  
13 the petition; or

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

15 ba. "Manufactured home" means a structure, transportable  
16 in one or more sections, which, in the traveling mode, is  
17 eight body feet or more in width or forty body feet or more in  
18 length, or, when erected on site, is three hundred twenty or  
19 more square feet, and which is built on a permanent chassis  
20 and designed to be used as a dwelling with or without a  
21 permanent foundation when connected to the required utilities,  
22 and includes the plumbing, heating, air-conditioning, and  
23 electrical systems contained therein. The term includes any  
24 structure that meets all of the requirements of this paragraph  
25 except the size requirements and with respect to which the  
26 manufacturer voluntarily files a certification required by the  
27 United States secretary of housing and urban development and  
28 complies with the standards established under Title 42 of the  
29 United States Code.

30 bb. "Manufactured-home transaction" means a secured  
31 transaction:

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

35 (2) in which a manufactured home, other than a

1 manufactured home held as inventory, is the primary  
2 collateral.

3 bc. "Mortgage" means a consensual interest in real  
4 property, including fixtures, which secures payment or  
5 performance of an obligation.

6 bd. "New debtor" means a person that becomes bound as  
7 debtor under section 554.9203, subsection 4, by a security  
8 agreement previously entered into by another person.

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

14 bf. "Noncash proceeds" means proceeds other than cash  
15 proceeds.

16 bg. "Obligor" means a person that, with respect to an  
17 obligation secured by a security interest in or an  
18 agricultural lien on the collateral, (i) owes payment or other  
19 performance of the obligation, (ii) has provided property  
20 other than the collateral to secure payment or other  
21 performance of the obligation, or (iii) is otherwise  
22 accountable in whole or in part for payment or other  
23 performance of the obligation. The term does not include  
24 issuers or nominated persons under a letter of credit.

25 bh. "Original debtor" means a person that, as debtor,  
26 entered into a security agreement to which a new debtor has  
27 become bound under section 554.9203, subsection 4.

28 bj. "Payment intangible" means a general intangible under  
29 which the account debtor's principal obligation is a monetary  
30 obligation.

31 bk. "Person related to", with respect to an individual,  
32 means:

33 (1) the spouse of the individual;

34 (2) a brother, brother-in-law, sister, or sister-in-law of  
35 the individual;

1 (3) an ancestor or lineal descendant of the individual or  
2 the individual's spouse; or

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

6 bl. "Person related to", with respect to an organization,  
7 means:

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

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

12 (3) an officer or director of, or a person performing  
13 similar functions with respect to, a person described in  
14 subparagraph (1);

15 (4) the spouse of an individual described in subparagraph  
16 (1), (2), or (3); or

17 (5) an individual who is related by blood or marriage to  
18 an individual described in subparagraph (1), (2), (3), or (4)  
19 and shares the same home with the individual.

20 bm. "Proceeds" means the following property:

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

23 (2) whatever is collected on, or distributed on account  
24 of, collateral;

25 (3) rights arising out of collateral;

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

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

34 bn. "Promissory note" means an instrument that evidences a  
35 promise to pay a monetary obligation, does not evidence an

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

4 bo. "Proposal" means a record authenticated by a secured  
5 party which includes the terms on which the secured party is  
6 willing to accept collateral in full or partial satisfaction  
7 of the obligation it secures pursuant to sections 554.9620,  
8 554.9621, and 554.9622.

9 bp. "Public-finance transaction" means a secured  
10 transaction in connection with which:

11 (1) debt securities are issued;

12 (2) all or a portion of the securities issued have an  
13 initial stated maturity of at least twenty years; and

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

18 bq. "Pursuant to commitment", with respect to an advance  
19 made or other value given by a secured party, means pursuant  
20 to the secured party's obligation, whether or not a subsequent  
21 event of default or other event not within the secured party's  
22 control has relieved or may relieve the secured party from its  
23 obligation.

24 br. "Record", except as used in "for record", "of record",  
25 "record or legal title", and "record owner", means information  
26 that is inscribed on a tangible medium or which is stored in  
27 an electronic or other medium and is retrievable in  
28 perceivable form.

29 bs. "Registered organization" means an organization  
30 organized solely under the law of a single state or the United  
31 States and as to which the state or the United States must  
32 maintain a public record showing the organization to have been  
33 organized.

34 bt. "Secondary obligor" means an obligor to the extent  
35 that:

1 (1) the obligor's obligation is secondary; or  
 2 (2) the obligor has a right of recourse with respect to an  
 3 obligation secured by collateral against the debtor, another  
 4 obligor, or property of either.

5 bu. "Secured party" means:

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

9 (2) a person that holds an agricultural lien;

10 (3) a consignor;

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

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

16 (6) a person that holds a security interest arising under  
 17 section 554.2401, 554.2505, 554.2711, subsection 3, section  
 18 554.4210, 554.5118, or 554.13508, subsection 5.

19 bv. "Security agreement" means an agreement that creates  
 20 or provides for a security interest.

21 bw. "Send", in connection with a record or notification,  
 22 means:

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

27 (2) to cause the record or notification to be received  
 28 within the time that it would have been received if properly  
 29 sent under subparagraph (1).

30 bx. "Software" means a computer program and any supporting  
 31 information provided in connection with a transaction relating  
 32 to the program. The term does not include a computer program  
 33 that is included in the definition of goods.

34 by. "State" means a state of the United States, the  
 35 District of Columbia, Puerto Rico, the United States Virgin

1 Islands, or any territory or insular possession subject to the  
2 jurisdiction of the United States.

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

7 ca. "Tangible chattel paper" means chattel paper evidenced  
8 by a record or records consisting of information that is  
9 inscribed on a tangible medium.

10 cb. "Termination statement" means an amendment of a  
11 financing statement which:

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

14 (2) indicates either that it is a termination statement or  
15 that the identified financing statement is no longer  
16 effective.

17 cc. "Transmitting utility" means a person primarily  
18 engaged in the business of:

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

21 (2) transmitting communications electrically,  
22 electromagnetically, or by light;

23 (3) transmitting goods by pipeline or sewer; or

24 (4) transmitting or producing and transmitting  
25 electricity, steam, gas, or water.

26 2. DEFINITIONS IN OTHER ARTICLES. The following  
27 definitions in other Articles apply to this Article:

28 "Applicant"	Section 554.5102
29 "Beneficiary"	Section 554.5102
30 "Broker"	Section 554.8102
31 "Certificated security"	Section 554.8102
32 "Check"	Section 554.3104
33 "Clearing corporation"	Section 554.8102
34 "Contract for sale"	Section 554.2106
35 "Customer"	Section 554.4104



1	"Entitlement holder"	Section 554.8102
2	"Financial asset"	Section 554.8102
3	"Holder in due course"	Section 554.3302
4	"Issuer" (with respect to a letter of	
5	credit or letter-of-credit right)	Section 554.5102
6	"Issuer" (with respect to a security)	Section 554.8201
7	"Lease"	Section 554.13103
8	"Lease agreement"	Section 554.13103
9	"Lease contract"	Section 554.13103
10	"Leasehold interest"	Section 554.13103
11	"Lessee"	Section 554.13103
12	"Lessee in ordinary course of business"	Section 554.13103
13	"Lessor"	Section 554.13103
14	"Lessor's residual interest"	Section 554.13103
15	"Letter of credit"	Section 554.5102
16	"Merchant"	Section 554.2104
17	"Negotiable instrument"	Section 554.3104
18	"Nominated person"	Section 554.5102
19	"Note"	Section 554.3104
20	"Proceeds of a letter of credit"	Section 554.5114
21	"Prove"	Section 554.3103
22	"Sale"	Section 554.2106
23	"Securities account"	Section 554.8501
24	"Securities intermediary"	Section 554.8102
25	"Security"	Section 554.8102
26	"Security certificate"	Section 554.8102
27	"Security entitlement"	Section 554.8102
28	"Uncertificated security"	Section 554.8102

29 3. ARTICLE 1 DEFINITIONS AND PRINCIPLES. Article 1  
30 contains general definitions and principles of construction  
31 and interpretation applicable throughout this Article.

32 4. FEDERAL FOOD SECURITY ACT. For purposes of the Federal  
33 Food Security Act, 7 U.S.C. § 1631, written notice shall be  
34 considered to be received by the person to whom it was  
35 delivered if the notice is delivered in hand to the person, or

1 mailed by certified or registered mail with the proper postage  
2 and properly addressed to the person to whom it was sent. The  
3 refusal of a person to whom a notice is so mailed to accept  
4 delivery of the notice shall be considered receipt.

5 Sec. 3. NEW SECTION. 554.9103 PURCHASE-MONEY SECURITY  
6 INTEREST -- APPLICATION OF PAYMENTS -- BURDEN OF ESTABLISHING.

7 1. DEFINITIONS. In this section:

8 a. "purchase-money collateral" means goods or software  
9 that secures a purchase-money obligation incurred with respect  
10 to that collateral; and

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

15 2. PURCHASE-MONEY SECURITY INTEREST IN GOODS. A security  
16 interest in goods is a purchase-money security interest:

17 a. to the extent that the goods are purchase-money  
18 collateral with respect to that security interest;

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

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

28 3. PURCHASE-MONEY SECURITY INTEREST IN SOFTWARE. A  
29 security interest in software is a purchase-money security  
30 interest to the extent that the security interest also secures  
31 a purchase-money obligation incurred with respect to goods in  
32 which the secured party holds or held a purchase-money  
33 security interest if:

34 a. the debtor acquired its interest in the software in an  
35 integrated transaction in which it acquired an interest in the

1 goods; and

2 b. the debtor acquired its interest in the software for  
3 the principal purpose of using the software in the goods.

4 4. CONSIGNOR'S INVENTORY PURCHASE-MONEY SECURITY INTEREST.

5 The security interest of a consignor in goods that are the  
6 subject of a consignment is a purchase-money security interest  
7 in inventory.

8 5. APPLICATION OF PAYMENT IN NONCONSUMER-GOODS

9 TRANSACTION. In a transaction other than a consumer-goods  
10 transaction, if the extent to which a security interest is a  
11 purchase-money security interest depends on the application of  
12 a payment to a particular obligation, the payment must be  
13 applied:

14 a. in accordance with any reasonable method of application  
15 to which the parties agree;

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

19 c. in the absence of an agreement to a reasonable method  
20 and a timely manifestation of the obligor's intention, in the  
21 following order:

- 22 (1) to obligations that are not secured; and
- 23 (2) if more than one obligation is secured, to obligations  
24 secured by purchase-money security interests in the order in  
25 which those obligations were incurred.

26 6. NO LOSS OF STATUS OF PURCHASE-MONEY SECURITY INTEREST  
27 IN NONCONSUMER-GOODS TRANSACTION. In a transaction other than

28 a consumer-goods transaction, a purchase-money security  
29 interest does not lose its status as such, even if:

30 a. the purchase-money collateral also secures an  
31 obligation that is not a purchase-money obligation;

32 b. collateral that is not purchase-money collateral also  
33 secures the purchase-money obligation; or

34 c. the purchase-money obligation has been renewed,  
35 refinanced, consolidated, or restructured.

1 7. BURDEN OF PROOF IN NONCONSUMER-GOODS TRANSACTION. In a  
2 transaction other than a consumer-goods transaction, a secured  
3 party claiming a purchase-money security interest has the  
4 burden of establishing the extent to which the security  
5 interest is a purchase-money security interest.

6 8. NONCONSUMER-GOODS TRANSACTIONS -- NO INFERENCE. The  
7 limitation of the rules in subsections 5, 6, and 7 to  
8 transactions other than consumer-goods transactions is  
9 intended to leave to the court the determination of the proper  
10 rules in consumer-goods transactions. The court may not infer  
11 from that limitation the nature of the proper rule in  
12 consumer-goods transactions and may continue to apply  
13 established approaches.

14 Sec. 4. NEW SECTION. 554.9104 CONTROL OF DEPOSIT  
15 ACCOUNT.

16 1. REQUIREMENTS FOR CONTROL. A secured party has control  
17 of a deposit account if:

18 a. the secured party is the bank with which the deposit  
19 account is maintained;

20 b. the debtor, secured party, and bank have agreed in an  
21 authenticated record that the bank will comply with  
22 instructions originated by the secured party directing  
23 disposition of the funds in the deposit account without  
24 further consent by the debtor; or

25 c. the secured party becomes the bank's customer with  
26 respect to the deposit account.

27 2. DEBTOR'S RIGHT TO DIRECT DISPOSITION. A secured party  
28 that has satisfied subsection 1 has control, even if the  
29 debtor retains the right to direct the disposition of funds  
30 from the deposit account.

31 Sec. 5. NEW SECTION. 554.9105 CONTROL OF ELECTRONIC  
32 CHATTEL PAPER.

33 A secured party has control of electronic chattel paper if  
34 the record or records comprising the chattel paper are  
35 created, stored, and assigned in such a manner that:

1 1. a single authoritative copy of the record or records  
2 exists which is unique, identifiable and, except as otherwise  
3 provided in subsections 4, 5, and 6, unalterable;

4 2. the authoritative copy identifies the secured party as  
5 the assignee of the record or records;

6 3. the authoritative copy is communicated to and  
7 maintained by the secured party or its designated custodian;

8 4. copies or revisions that add or change an identified  
9 assignee of the authoritative copy can be made only with the  
10 participation of the secured party;

11 5. each copy of the authoritative copy and any copy of a  
12 copy is readily identifiable as a copy that is not the  
13 authoritative copy; and

14 6. any revision of the authoritative copy is readily  
15 identifiable as an authorized or unauthorized revision.

16 Sec. 6. NEW SECTION. 554.9106 CONTROL OF INVESTMENT  
17 PROPERTY.

18 1. CONTROL UNDER SECTION 554.8106. A person has control  
19 of a certificated security, uncertificated security, or  
20 security entitlement as provided in section 554.8106.

21 2. CONTROL OF COMMODITY CONTRACT. A secured party has  
22 control of a commodity contract if:

23 a. the secured party is the commodity intermediary with  
24 which the commodity contract is carried; or

25 b. the commodity customer, secured party, and commodity  
26 intermediary have agreed that the commodity intermediary will  
27 apply any value distributed on account of the commodity  
28 contract as directed by the secured party without further  
29 consent by the commodity customer.

30 3. EFFECT OF CONTROL OF SECURITIES ACCOUNT OR COMMODITY  
31 ACCOUNT. A secured party having control of all security  
32 entitlements or commodity contracts carried in a securities  
33 account or commodity account has control over the securities  
34 account or commodity account.

35 Sec. 7. NEW SECTION. 554.9107 CONTROL OF LETTER-OF-

1 CREDIT RIGHT.

2 A secured party has control of a letter-of-credit right to  
3 the extent of any right to payment or performance by the  
4 issuer or any nominated person if the issuer or nominated  
5 person has consented to an assignment of proceeds of the  
6 letter of credit under section 554.5114, subsection 3, or  
7 otherwise applicable law or practice.

8 Sec. 8. NEW SECTION. 554.9108 SUFFICIENCY OF  
9 DESCRIPTION.

10 1. SUFFICIENCY OF DESCRIPTION. Except as otherwise  
11 provided in subsections 3, 4, and 5, a description of personal  
12 or real property is sufficient, whether or not it is specific,  
13 if it reasonably identifies what is described.

14 2. EXAMPLES OF REASONABLE IDENTIFICATION. Except as  
15 otherwise provided in subsection 4, a description of  
16 collateral reasonably identifies the collateral if it  
17 identifies the collateral by:

- 18 a. specific listing;
- 19 b. category;
- 20 c. except as otherwise provided in subsection 5, a type of  
21 collateral defined in this chapter;
- 22 d. quantity;
- 23 e. computational or allocational formula or procedure; or
- 24 f. except as otherwise provided in subsection 3, any other  
25 method, if the identity of the collateral is objectively  
26 determinable.

27 3. SUPERGENERIC DESCRIPTION NOT SUFFICIENT. A description  
28 of collateral as "all the debtor's assets" or "all the  
29 debtor's personal property" or using words of similar import  
30 does not reasonably identify the collateral.

31 4. INVESTMENT PROPERTY. Except as otherwise provided in  
32 subsection 5, a description of a security entitlement,  
33 securities account, or commodity account is sufficient if it  
34 describes:

- 35 a. the collateral by those terms or as investment

1 property; or

2 b. the underlying financial asset or commodity contract.

3 5. WHEN DESCRIPTION BY TYPE INSUFFICIENT. A description  
4 only by type of collateral defined in this chapter is an  
5 insufficient description of:

6 a. a commercial tort claim; or

7 b. in a consumer transaction, consumer goods, a security  
8 entitlement, a securities account, or a commodity account.

9 B. APPLICABILITY OF ARTICLE

10 Sec. 9. NEW SECTION. 554.9109 SCOPE.

11 1. GENERAL SCOPE OF ARTICLE. Except as otherwise provided  
12 in subsections 3 and 4, this Article applies to:

13 a. a transaction, regardless of its form, that creates a  
14 security interest in personal property or fixtures by  
15 contract;

16 b. an agricultural lien;

17 c. a sale of accounts, chattel paper, payment intangibles,  
18 or promissory notes;

19 d. a consignment;

20 e. a security interest arising under section 554.2401,  
21 554.2505, 554.2711, subsection 3, section 554.9110, or  
22 554.13508, subsection 5; and

23 f. a security interest arising under section 554.4210 or  
24 554.5118.

25 2. SECURITY INTEREST IN SECURED OBLIGATION. The  
26 application of this Article to a security interest in a  
27 secured obligation is not affected by the fact that the  
28 obligation is itself secured by a transaction or interest to  
29 which this Article does not apply.

30 3. EXTENT TO WHICH ARTICLE DOES NOT APPLY. This Article  
31 does not apply to the extent that:

32 a. a statute, regulation, or treaty of the United States  
33 preempts this Article;

34 b. another statute of this state expressly governs the  
35 creation, perfection, priority, or enforcement of a security

1 interest created by this state or a governmental unit of this  
2 state;

3 c. a statute of another state, a foreign country, or a  
4 governmental unit of another state or a foreign country, other  
5 than a statute generally applicable to security interests,  
6 expressly governs creation, perfection, priority, or  
7 enforcement of a security interest created by the state,  
8 country, or governmental unit; or

9 d. the rights of a transferee beneficiary or nominated  
10 person under a letter of credit are independent and superior  
11 under section 554.5114.

12 4. INAPPLICABILITY OF ARTICLE. This Article does not  
13 apply to:

14 a. a landlord's lien, other than an agricultural lien;

15 b. a lien, other than an agricultural lien, given by  
16 statute or other rule of law for services or materials, but  
17 section 554.9333 applies with respect to priority of the lien;

18 c. an assignment of a claim for wages, salary, or other  
19 compensation of an employee;

20 d. a sale of accounts, chattel paper, payment intangibles,  
21 or promissory notes as part of a sale of the business out of  
22 which they arose;

23 e. an assignment of accounts, chattel paper, payment  
24 intangibles, or promissory notes which is for the purpose of  
25 collection only;

26 f. an assignment of a right to payment under a contract to  
27 an assignee that is also obligated to perform under the  
28 contract;

29 g. an assignment of a single account, payment intangible,  
30 or promissory note to an assignee in full or partial  
31 satisfaction of a preexisting indebtedness;

32 h. a transfer of an interest in or an assignment of a  
33 claim under a policy of insurance, other than an assignment by  
34 or to a health-care provider of a health-care-insurance  
35 receivable and any subsequent assignment of the right to



1 payment, but sections 554.9315 and 554.9322 apply with respect  
2 to proceeds and priorities in proceeds;

3 i. an assignment of a right represented by a judgment,  
4 other than a judgment taken on a right to payment that was  
5 collateral;

6 j. a right of recoupment or setoff, but:

7 (1) section 554.9340 applies with respect to the  
8 effectiveness of rights of recoupment or setoff against  
9 deposit accounts; and

10 (2) section 554.9404 applies with respect to defenses or  
11 claims of an account debtor;

12 k. the creation or transfer of an interest in or lien on  
13 real property, including a lease or rents thereunder, except  
14 to the extent that provision is made for:

15 (1) liens on real property in sections 554.9203 and  
16 554.9308;

17 (2) fixtures in section 554.9334;

18 (3) fixture filings in sections 554.9501, 554.9502,  
19 554.9512, 554.9516, and 554.9519; and

20 (4) security agreements covering personal and real  
21 property in section 554.9604;

22 l. an assignment of a claim arising in tort, other than a  
23 commercial tort claim, but sections 554.9315 and 554.9322  
24 apply with respect to proceeds and priorities in proceeds; or

25 m. an assignment of a deposit account in a consumer  
26 transaction, but sections 554.9315 and 554.9322 apply with  
27 respect to proceeds and priorities in proceeds.

28 Sec. 10. NEW SECTION. 554.9110 SECURITY INTERESTS  
29 ARISING UNDER ARTICLE 2 OR 13.

30 A security interest arising under section 554.2401,  
31 554.2505, 554.2711, subsection 3, or section 554.13508,  
32 subsection 5, is subject to this Article. However, until the  
33 debtor obtains possession of the goods:

34 1. the security interest is enforceable, even if section  
35 554.9203, subsection 2, paragraph "c", has not been satisfied;

1 2. filing is not required to perfect the security  
2 interest;

3 3. the rights of the secured party after default by the  
4 debtor are governed by Article 2 or 13; and

5 4. the security interest has priority over a conflicting  
6 security interest created by the debtor.

7 PART 2

8 EFFECTIVENESS OF SECURITY AGREEMENT --

9 ATTACHMENT OF SECURITY INTEREST --

10 RIGHTS OF PARTIES TO SECURITY AGREEMENT

11 A. EFFECTIVENESS AND ATTACHMENT

12 Sec. 11. NEW SECTION. 554.9201 GENERAL EFFECTIVENESS OF  
13 SECURITY AGREEMENT.

14 1. GENERAL EFFECTIVENESS. Except as otherwise provided in  
15 this chapter, a security agreement is effective according to  
16 its terms between the parties, against purchasers of the  
17 collateral, and against creditors.

18 2. APPLICABLE CONSUMER LAWS. A transaction subject to  
19 this Article is subject to any applicable rule of law which  
20 establishes a different rule for consumers, including as  
21 provided in chapter 537, or any other statute or regulation of  
22 this state that regulates the rates, charges, agreements, and  
23 practices for loans, credit sales, or other extensions of  
24 credit, and to any consumer protection statute or regulation.

25 3. OTHER APPLICABLE LAW CONTROLS. In case of conflict  
26 between this Article and a rule of law, statute, or regulation  
27 described in subsection 2, the rule of law, statute, or  
28 regulation controls. Failure to comply with a statute or  
29 regulation described in subsection 2 has only the effect the  
30 statute or regulation specifies.

31 4. FURTHER DEFERENCE TO OTHER APPLICABLE LAW. This  
32 Article does not:

33 a. validate any rate, charge, agreement, or practice that  
34 violates a rule of law, statute, or regulation described in  
35 subsection 2; or

1 b. extend the application of the rule of law, statute, or  
2 regulation to a transaction not otherwise subject to it.

3 Sec. 12. NEW SECTION. 554.9202 TITLE TO COLLATERAL  
4 IMMATERIAL.

5 Except as otherwise provided with respect to consignments  
6 or sales of accounts, chattel paper, payment intangibles, or  
7 promissory notes, the provisions of this Article with regard  
8 to rights and obligations apply whether title to collateral is  
9 in the secured party or the debtor.

10 Sec. 13. NEW SECTION. 554.9203 ATTACHMENT AND  
11 ENFORCEABILITY OF SECURITY INTEREST -- PROCEEDS -- SUPPORTING  
12 OBLIGATIONS -- FORMAL REQUISITES.

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

17 2. ENFORCEABILITY. Except as otherwise provided in  
18 subsections 3 through 9, a security interest is enforceable  
19 against the debtor and third parties with respect to the  
20 collateral only if:

21 a. value has been given;

22 b. the debtor has rights in the collateral or the power to  
23 transfer rights in the collateral to a secured party; and

24 c. one of the following conditions is met:

25 (1) the debtor has authenticated a security agreement that  
26 provides a description of the collateral and, if the security  
27 interest covers timber to be cut, a description of the land  
28 concerned;

29 (2) the collateral is not a certificated security and is  
30 in the possession of the secured party under section 554.9313  
31 pursuant to the debtor's security agreement;

32 (3) the collateral is a certificated security in  
33 registered form and the security certificate has been

34 delivered to the secured party under section 554.8301 pursuant  
35 to the debtor's security agreement; or

1 (4) the collateral is deposit accounts, electronic chattel  
2 paper, investment property, or letter-of-credit rights, and  
3 the secured party has control under section 554.9104,  
4 554.9105, 554.9106, or 554.9107 pursuant to the debtor's  
5 security agreement.

6 3. OTHER UCC PROVISIONS. Subsection 2 is subject to  
7 section 554.4210 on the security interest of a collecting  
8 bank, section 554.5118 on the security interest of a letter-  
9 of-credit issuer or nominated person, section 554.9110 on a  
10 security interest arising under Article 2 or 13, and section  
11 554.9206 on security interests in investment property.

12 4. WHEN PERSON BECOMES BOUND BY ANOTHER PERSON'S SECURITY  
13 AGREEMENT. A person becomes bound as debtor by a security  
14 agreement entered into by another person if, by operation of  
15 law other than this Article or by contract:

16 a. the security agreement becomes effective to create a  
17 security interest in the person's property; or

18 b. the person becomes generally obligated for the  
19 obligations of the other person, including the obligation  
20 secured under the security agreement, and acquires or succeeds  
21 to all or substantially all of the assets of the other person.

22 5. EFFECT OF NEW DEBTOR BECOMING BOUND. If a new debtor  
23 becomes bound as debtor by a security agreement entered into  
24 by another person:

25 a. the agreement satisfies subsection 2, paragraph "c",  
26 with respect to existing or after-acquired property of the new  
27 debtor to the extent the property is described in the  
28 agreement; and

29 b. another agreement is not necessary to make a security  
30 interest in the property enforceable.

31 6. PROCEEDS AND SUPPORTING OBLIGATIONS. The attachment of  
32 a security interest in collateral gives the secured party the  
33 rights to proceeds provided by section 554.9315 and is also  
34 attachment of a security interest in a supporting obligation  
35 for the collateral.

1 7. LIEN SECURING RIGHT TO PAYMENT. The attachment of a  
2 security interest in a right to payment or performance secured  
3 by a security interest or other lien on personal or real  
4 property is also attachment of a security interest in the  
5 security interest, mortgage, or other lien.

6 8. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.  
7 The attachment of a security interest in a securities account  
8 is also attachment of a security interest in the security  
9 entitlements carried in the securities account.

10 9. COMMODITY CONTRACTS CARRIED IN COMMODITY ACCOUNT. The  
11 attachment of a security interest in a commodity account is  
12 also attachment of a security interest in the commodity  
13 contracts carried in the commodity account.

14 Sec. 14. NEW SECTION. 554.9204 AFTER-ACQUIRED PROPERTY  
15 -- FUTURE ADVANCES.

16 1. AFTER-ACQUIRED COLLATERAL. Except as otherwise  
17 provided in subsection 2, a security agreement may create or  
18 provide for a security interest in after-acquired collateral.

19 2. WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE. A  
20 security interest does not attach under a term constituting an  
21 after-acquired property clause to:

22 a. consumer goods, other than an accession when given as  
23 additional security, unless the debtor acquires rights in them  
24 within ten days after the secured party gives value; or

25 b. a commercial tort claim.

26 3. FUTURE ADVANCES AND OTHER VALUE. A security agreement  
27 may provide that collateral secures, or that accounts, chattel  
28 paper, payment intangibles, or promissory notes are sold in  
29 connection with, future advances or other value, whether or  
30 not the advances or value are given pursuant to commitment.

31 Sec. 15. NEW SECTION. 554.9205 USE OR DISPOSITION OF  
32 COLLATERAL PERMISSIBLE.

33 1. WHEN SECURITY INTEREST NOT INVALID OR FRAUDULENT. A  
34 security interest is not invalid or fraudulent against  
35 creditors solely because:

1 a. the debtor has the right or ability to:

2 (1) use, commingle, or dispose of all or part of the  
3 collateral, including returned or repossessed goods;

4 (2) collect, compromise, enforce, or otherwise deal with  
5 collateral;

6 (3) accept the return of collateral or make repossessions;  
7 or

8 (4) use, commingle, or dispose of proceeds; or

9 b. the secured party fails to require the debtor to  
10 account for proceeds or replace collateral.

11 2. REQUIREMENTS OF POSSESSION NOT RELAXED. This section  
12 does not relax the requirements of possession if attachment,  
13 perfection, or enforcement of a security interest depends upon  
14 possession of the collateral by the secured party.

15 Sec. 16. NEW SECTION. 554.9206 SECURITY INTEREST ARISING  
16 IN PURCHASE OR DELIVERY OF FINANCIAL ASSET.

17 1. SECURITY INTEREST WHEN PERSON BUYS THROUGH SECURITIES  
18 INTERMEDIARY. A security interest in favor of a securities  
19 intermediary attaches to a person's security entitlement if:

20 a. the person buys a financial asset through the  
21 securities intermediary in a transaction in which the person  
22 is obligated to pay the purchase price to the securities  
23 intermediary at the time of the purchase; and

24 b. the securities intermediary credits the financial asset  
25 to the buyer's securities account before the buyer pays the  
26 securities intermediary.

27 2. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR  
28 FINANCIAL ASSET. The security interest described in  
29 subsection 1 secures the person's obligation to pay for the  
30 financial asset.

31 3. SECURITY INTEREST IN PAYMENT AGAINST DELIVERY  
32 TRANSACTION. A security interest in favor of a person that  
33 delivers a certificated security or other financial asset  
34 represented by a writing attaches to the security or other  
35 financial asset if:

1 a. the security or other financial asset:

2 (1) in the ordinary course of business is transferred by  
3 delivery with any necessary indorsement or assignment; and

4 (2) is delivered under an agreement between persons in the  
5 business of dealing with such securities or financial assets;  
6 and

7 b. the agreement calls for delivery against payment.

8 4. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR  
9 DELIVERY. The security interest described in subsection 3  
10 secures the obligation to make payment for the delivery.

11 B. RIGHTS AND DUTIES

12 Sec. 17. NEW SECTION. 554.9207 RIGHTS AND DUTIES OF  
13 SECURED PARTY HAVING POSSESSION OR CONTROL OF COLLATERAL.

14 1. DUTY OF CARE WHEN SECURED PARTY IN POSSESSION. Except  
15 as otherwise provided in subsection 4, a secured party shall  
16 use reasonable care in the custody and preservation of  
17 collateral in the secured party's possession. In the case of  
18 chattel paper or an instrument, reasonable care includes  
19 taking necessary steps to preserve rights against prior  
20 parties unless otherwise agreed.

21 2. EXPENSES, RISKS, DUTIES, AND RIGHTS WHEN SECURED PARTY  
22 IN POSSESSION. Except as otherwise provided in subsection 4,  
23 if a secured party has possession of collateral:

24 a. reasonable expenses, including the cost of insurance  
25 and payment of taxes or other charges, incurred in the  
26 custody, preservation, use, or operation of the collateral are  
27 chargeable to the debtor and are secured by the collateral;

28 b. the risk of accidental loss or damage is on the debtor  
29 to the extent of a deficiency in any effective insurance  
30 coverage;

31 c. the secured party shall keep the collateral  
32 identifiable, but fungible collateral may be commingled; and

33 d. the secured party may use or operate the collateral:

34 (1) for the purpose of preserving the collateral or its  
35 value;

1 (2) as permitted by an order of a court having competent  
2 jurisdiction; or

3 (3) except in the case of consumer goods, in the manner  
4 and to the extent agreed by the debtor.

5 3. DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR  
6 CONTROL. Except as otherwise provided in subsection 4, a  
7 secured party having possession of collateral or control of  
8 collateral under section 554.9104, 554.9105, 554.9106, or  
9 554.9107:

10 a. may hold as additional security any proceeds, except  
11 money or funds, received from the collateral;

12 b. shall apply money or funds received from the collateral  
13 to reduce the secured obligation, unless remitted to the  
14 debtor; and

15 c. may create a security interest in the collateral.

16 4. BUYER OF CERTAIN RIGHTS TO PAYMENT. If the secured  
17 party is a buyer of accounts, chattel paper, payment  
18 intangibles, or promissory notes or a consignor:

19 a. subsection 1 does not apply unless the secured party is  
20 entitled under an agreement:

21 (1) to charge back uncollected collateral; or

22 (2) otherwise to full or limited recourse against the  
23 debtor or a secondary obligor based on the nonpayment or other  
24 default of an account debtor or other obligor on the  
25 collateral; and

26 b. subsections 2 and 3 do not apply.

27 Sec. 18. NEW SECTION. 554.9208 ADDITIONAL DUTIES OF  
28 SECURED PARTY HAVING CONTROL OF COLLATERAL.

29 1. APPLICABILITY OF SECTION. This section applies to  
30 cases in which there is no outstanding secured obligation and  
31 the secured party is not committed to make advances, incur  
32 obligations, or otherwise give value.

33 2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM  
34 DEBTOR. Within ten days after receiving an authenticated  
35 demand by the debtor:



1 a. a secured party having control of a deposit account  
 2 under section 554.9104, subsection 1, paragraph "b", shall  
 3 send to the bank with which the deposit account is maintained  
 4 an authenticated statement that releases the bank from any  
 5 further obligation to comply with instructions originated by  
 6 the secured party;

7 b. a secured party having control of a deposit account  
 8 under section 554.9104, subsection 1, paragraph "c", shall:

9 (1) pay the debtor the balance on deposit in the deposit  
 10 account; or

11 (2) transfer the balance on deposit into a deposit account  
 12 in the debtor's name;

13 c. a secured party, other than a buyer, having control of  
 14 electronic chattel paper under section 554.9105 shall:

15 (1) communicate the authoritative copy of the electronic  
 16 chattel paper to the debtor or its designated custodian;

17 (2) if the debtor designates a custodian that is the  
 18 designated custodian with which the authoritative copy of the  
 19 electronic chattel paper is maintained for the secured party,  
 20 communicate to the custodian an authenticated record releasing  
 21 the designated custodian from any further obligation to comply  
 22 with instructions originated by the secured party and  
 23 instructing the custodian to comply with instructions  
 24 originated by the debtor; and

25 (3) take appropriate action to enable the debtor or its  
 26 designated custodian to make copies of or revisions to the  
 27 authoritative copy which add or change an identified assignee  
 28 of the authoritative copy without the consent of the secured  
 29 party;

30 d. a secured party having control of investment property  
 31 under section 554.8106, subsection 4, paragraph "b", or  
 32 section 554.9106, subsection 2, shall send to the securities  
 33 intermediary or commodity intermediary with which the security  
 34 entitlement or commodity contract is maintained an  
 35 authenticated record that releases the securities intermediary

1 or commodity intermediary from any further obligation to  
2 comply with entitlement orders or directions originated by the  
3 secured party; and

4 e. a secured party having control of a letter-of-credit  
5 right under section 554.9107 shall send to each person having  
6 an unfulfilled obligation to pay or deliver proceeds of the  
7 letter of credit to the secured party an authenticated release  
8 from any further obligation to pay or deliver proceeds of the  
9 letter of credit to the secured party.

10 Sec. 19. NEW SECTION. 554.9209 DUTIES OF SECURED PARTY  
11 IF ACCOUNT DEBTOR HAS BEEN NOTIFIED OF ASSIGNMENT.

12 1. APPLICABILITY OF SECTION. Except as otherwise provided  
13 in subsection 3, this section applies if:

- 14 a. there is no outstanding secured obligation; and  
15 b. the secured party is not committed to make advances,  
16 incur obligations, or otherwise give value.

17 2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM  
18 DEBTOR. Within ten days after receiving an authenticated  
19 demand by the debtor, a secured party shall send to an account  
20 debtor that has received notification of an assignment to the  
21 secured party as assignee under section 554.9406, subsection  
22 1, an authenticated record that releases the account debtor  
23 from any further obligation to the secured party.

24 3. INAPPLICABILITY TO SALES. This section does not apply  
25 to an assignment constituting the sale of an account, chattel  
26 paper, or payment intangible.

27 Sec. 20. NEW SECTION. 554.9210 REQUEST FOR ACCOUNTING --  
28 REQUEST REGARDING LIST OF COLLATERAL OR STATEMENT OF ACCOUNT.

29 1. DEFINITIONS. In this section:

30 a. "Request" means a record of a type described in  
31 paragraph "b", "c", or "d".

32 b. "Request for an accounting" means a record  
33 authenticated by a debtor requesting that the recipient  
34 provide an accounting of the unpaid obligations secured by  
35 collateral and reasonably identifying the transaction or

1 relationship that is the subject of the request.

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

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

15 2. DUTY TO RESPOND TO REQUESTS. Subject to subsections 3,  
16 4, 5, and 6, a secured party, other than a buyer of accounts,  
17 chattel paper, payment intangibles, or promissory notes or a  
18 consignor, shall comply with a request within fourteen days  
19 after receipt:

20 a. in the case of a request for an accounting, by  
21 authenticating and sending to the debtor an accounting; and

22 b. in the case of a request regarding a list of collateral  
23 or a request regarding a statement of account, by  
24 authenticating and sending to the debtor an approval or  
25 correction.

26 3. REQUEST REGARDING LIST OF COLLATERAL -- STATEMENT  
27 CONCERNING TYPE OF COLLATERAL. A secured party that claims a  
28 security interest in all of a particular type of collateral  
29 owned by the debtor may comply with a request regarding a list  
30 of collateral by sending to the debtor an authenticated record  
31 including a statement to that effect within fourteen days  
32 after receipt.

33 4. REQUEST REGARDING LIST OF COLLATERAL -- NO INTEREST  
34 CLAIMED. A person that receives a request regarding a list of  
35 collateral, claims no interest in the collateral when it

1 receives the request, and claimed an interest in the  
2 collateral at an earlier time shall comply with the request  
3 within fourteen days after receipt by sending to the debtor an  
4 authenticated record:

- 5 a. disclaiming any interest in the collateral; and
- 6 b. if known to the recipient, providing the name and  
7 mailing address of any assignee of or successor to the  
8 recipient's interest in the collateral.

9 5. REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF  
10 ACCOUNT -- NO INTEREST IN OBLIGATION CLAIMED. A person that  
11 receives a request for an accounting or a request regarding a  
12 statement of account, claims no interest in the obligations  
13 when it receives the request, and claimed an interest in the  
14 obligations at an earlier time shall comply with the request  
15 within fourteen days after receipt by sending to the debtor an  
16 authenticated record:

- 17 a. disclaiming any interest in the obligations; and
- 18 b. if known to the recipient, providing the name and  
19 mailing address of any assignee of or successor to the  
20 recipient's interest in the obligations.

21 6. CHARGES FOR RESPONSES. A debtor is entitled without  
22 charge to one response to a request under this section during  
23 any six-month period. The secured party may require payment  
24 of a charge not exceeding twenty-five dollars for each  
25 additional response.

26 PART 3

27 PERFECTION AND PRIORITY

28 A. LAW GOVERNING PERFECTION AND PRIORITY

29 Sec. 21. NEW SECTION. 554.9301 LAW GOVERNING PERFECTION  
30 AND PRIORITY OF SECURITY INTERESTS.

31 Except as otherwise provided in sections 554.9303,  
32 554.9304, 554.9305, and 554.9306, the following rules  
33 determine the law governing perfection, the effect of  
34 perfection or nonperfection, and the priority of a security  
35 interest in collateral:

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

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

10 3. Except as otherwise provided in subsection 4, while  
11 negotiable documents, goods, instruments, money, or tangible  
12 chattel paper is located in a jurisdiction, the local law of  
13 that jurisdiction governs:

- 14 a. perfection of a security interest in the goods by
- 15 filing a fixture filing;
- 16 b. perfection of a security interest in timber to be cut;
- 17 and
- 18 c. the effect of perfection or nonperfection and the
- 19 priority of a nonpossessory security interest in the
- 20 collateral.

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

25 Sec. 22. NEW SECTION. 554.9302 LAW GOVERNING PERFECTION  
26 AND PRIORITY OF AGRICULTURAL LIENS.

27 While farm products are located in a jurisdiction, the  
28 local law of that jurisdiction governs perfection, the effect  
29 of perfection or nonperfection, and the priority of an  
30 agricultural lien on the farm products.

31 Sec. 23. NEW SECTION. 554.9303 LAW GOVERNING PERFECTION  
32 AND PRIORITY OF SECURITY INTERESTS IN GOODS COVERED BY A  
33 CERTIFICATE OF TITLE.

34 1. APPLICABILITY OF SECTION. This section applies to  
35 goods covered by a certificate of title, even if there is no

1 other relationship between the jurisdiction under whose  
2 certificate of title the goods are covered and the goods or  
3 the debtor.

4 2. WHEN GOODS COVERED BY CERTIFICATE OF TITLE. Goods  
5 become covered by a certificate of title when a valid  
6 application for the certificate of title and the applicable  
7 fee are delivered to the appropriate authority. Goods cease  
8 to be covered by a certificate of title at the earlier of the  
9 time the certificate of title ceases to be effective under the  
10 law of the issuing jurisdiction or the time the goods become  
11 covered subsequently by a certificate of title issued by  
12 another jurisdiction.

13 3. APPLICABLE LAW. The local law of the jurisdiction  
14 under whose certificate of title the goods are covered governs  
15 perfection, the effect of perfection or nonperfection, and the  
16 priority of a security interest in goods covered by a  
17 certificate of title from the time the goods become covered by  
18 the certificate of title until the goods cease to be covered  
19 by the certificate of title.

20 Sec. 24. NEW SECTION. 554.9304 LAW GOVERNING PERFECTION  
21 AND PRIORITY OF SECURITY INTERESTS IN DEPOSIT ACCOUNTS.

22 1. LAW OF BANK'S JURISDICTION GOVERNS. The local law of a  
23 bank's jurisdiction governs perfection, the effect of  
24 perfection or nonperfection, and the priority of a security  
25 interest in a deposit account maintained with that bank.

26 2. BANK'S JURISDICTION. The following rules determine a  
27 bank's jurisdiction for purposes of this part:

28 a. If an agreement between the bank and the debtor  
29 governing the deposit account expressly provides that a  
30 particular jurisdiction is the bank's jurisdiction for  
31 purposes of this part, this Article, or this chapter, that  
32 jurisdiction is the bank's jurisdiction.

33 b. If paragraph "a" does not apply and an agreement  
34 between the bank and its customer governing the deposit  
35 account expressly provides that the agreement is governed by

1 the law of a particular jurisdiction, that jurisdiction is the  
2 bank's jurisdiction.

3 c. If neither paragraph "a" nor paragraph "b" applies and  
4 an agreement between the bank and its customer governing the  
5 deposit account expressly provides that the deposit account is  
6 maintained at an office in a particular jurisdiction, that  
7 jurisdiction is the bank's jurisdiction.

8 d. If none of the preceding paragraphs applies, the bank's  
9 jurisdiction is the jurisdiction in which the office  
10 identified in an account statement as the office serving the  
11 customer's account is located.

12 e. If none of the preceding paragraphs applies, the bank's  
13 jurisdiction is the jurisdiction in which the chief executive  
14 office of the bank is located.

15 Sec. 25. NEW SECTION. 554.9305 LAW GOVERNING PERFECTION  
16 AND PRIORITY OF SECURITY INTERESTS IN INVESTMENT PROPERTY.

17 1. GOVERNING LAW -- GENERAL RULES. Except as otherwise  
18 provided in subsection 3, the following rules apply:

19 a. While a security certificate is located in a  
20 jurisdiction, the local law of that jurisdiction governs  
21 perfection, the effect of perfection or nonperfection, and the  
22 priority of a security interest in the certificated security  
23 represented thereby.

24 b. The local law of the issuer's jurisdiction as specified  
25 in section 554.8110, subsection 4, governs perfection, the  
26 effect of perfection or nonperfection, and the priority of a  
27 security interest in an uncertificated security.

28 c. The local law of the securities intermediary's  
29 jurisdiction as specified in section 554.8110, subsection 5,  
30 governs perfection, the effect of perfection or nonperfection,  
31 and the priority of a security interest in a security  
32 entitlement or securities account.

33 d. The local law of the commodity intermediary's  
34 jurisdiction governs perfection, the effect of perfection or  
35 nonperfection, and the priority of a security interest in a

1 commodity contract or commodity account.

2 2. COMMODITY INTERMEDIARY'S JURISDICTION. The following  
3 rules determine a commodity intermediary's jurisdiction for  
4 purposes of this part:

5 a. If an agreement between the commodity intermediary and  
6 commodity customer governing the commodity account expressly  
7 provides that a particular jurisdiction is the commodity  
8 intermediary's jurisdiction for purposes of this part, this  
9 Article, or this chapter, that jurisdiction is the commodity  
10 intermediary's jurisdiction.

11 b. If paragraph "a" does not apply and an agreement  
12 between the commodity intermediary and commodity customer  
13 governing the commodity account expressly provides that the  
14 agreement is governed by the law of a particular jurisdiction,  
15 that jurisdiction is the commodity intermediary's  
16 jurisdiction.

17 c. If neither paragraph "a" nor paragraph "b" applies and  
18 an agreement between the commodity intermediary and commodity  
19 customer governing the commodity account expressly provides  
20 that the commodity account is maintained at an office in a  
21 particular jurisdiction, that jurisdiction is the commodity  
22 intermediary's jurisdiction.

23 d. If none of the preceding paragraphs applies, the  
24 commodity intermediary's jurisdiction is the jurisdiction in  
25 which the office identified in an account statement as the  
26 office serving the commodity customer's account is located.

27 e. If none of the preceding paragraphs applies, the  
28 commodity intermediary's jurisdiction is the jurisdiction in  
29 which the chief executive office of the commodity intermediary  
30 is located.

31 3. WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE  
32 DEBTOR LOCATED. The local law of the jurisdiction in which  
33 the debtor is located governs:

34 a. perfection of a security interest in investment  
35 property by filing;



1 b. automatic perfection of a security interest in  
2 investment property created by a broker or securities  
3 intermediary; and

4 c. automatic perfection of a security interest in a  
5 commodity contract or commodity account created by a commodity  
6 intermediary.

7 Sec. 26. NEW SECTION. 554.9306 LAW GOVERNING PERFECTION  
8 AND PRIORITY OF SECURITY INTERESTS IN LETTER-OF-CREDIT RIGHTS.

9 1. GOVERNING LAW -- ISSUER'S OR NOMINATED PERSON'S  
10 JURISDICTION. Subject to subsection 3, the local law of the  
11 issuer's jurisdiction or a nominated person's jurisdiction  
12 governs perfection, the effect of perfection or nonperfection,  
13 and the priority of a security interest in a letter-of-credit  
14 right if the issuer's jurisdiction or nominated person's  
15 jurisdiction is a state.

16 2. ISSUER'S OR NOMINATED PERSON'S JURISDICTION. For  
17 purposes of this part, an issuer's jurisdiction or nominated  
18 person's jurisdiction is the jurisdiction whose law governs  
19 the liability of the issuer or nominated person with respect  
20 to the letter-of-credit right as provided in section 554.5116.

21 3. WHEN SECTION NOT APPLICABLE. This section does not  
22 apply to a security interest that is perfected only under  
23 section 554.9308, subsection 4.

24 Sec. 27. NEW SECTION. 554.9307 LOCATION OF DEBTOR.

25 1. PLACE OF BUSINESS. In this section, "place of  
26 business" means a place where a debtor conducts its affairs.

27 2. DEBTOR'S LOCATION -- GENERAL RULES. Except as  
28 otherwise provided in this section, the following rules  
29 determine a debtor's location:

30 a. A debtor who is an individual is located at the  
31 individual's principal residence.

32 b. A debtor that is an organization and has only one place  
33 of business is located at its place of business.

34 c. A debtor that is an organization and has more than one  
35 place of business is located at its chief executive office.

1 3. LIMITATION OF APPLICABILITY OF SUBSECTION 2.

2 Subsection 2 applies only if a debtor's residence, place of  
3 business, or chief executive office, as applicable, is located  
4 in a jurisdiction whose law generally requires information  
5 concerning the existence of a nonpossessory security interest  
6 to be made generally available in a filing, recording, or  
7 registration system as a condition or result of the security  
8 interest's obtaining priority over the rights of a lien  
9 creditor with respect to the collateral. If subsection 2 does  
10 not apply, the debtor is located in the District of Columbia.

11 4. CONTINUATION OF LOCATION -- CESSATION OF EXISTENCE,  
12 ETC. A person that ceases to exist, have a residence, or have  
13 a place of business continues to be located in the  
14 jurisdiction specified by subsections 2 and 3.

15 5. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER  
16 STATE LAW. A registered organization that is organized under  
17 the law of a state is located in that state.

18 6. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER  
19 FEDERAL LAW -- BANK BRANCHES AND AGENCIES. Except as  
20 otherwise provided in subsection 9, a registered organization  
21 that is organized under the law of the United States and a  
22 branch or agency of a bank that is not organized under the law  
23 of the United States or a state are located:

24 a. in the state that the law of the United States  
25 designates, if the law designates a state of location;

26 b. in the state that the registered organization, branch,  
27 or agency designates, if the law of the United States  
28 authorizes the registered organization, branch, or agency to  
29 designate its state of location; or

30 c. in the District of Columbia, if neither paragraph "a"  
31 nor paragraph "b" applies.

32 7. CONTINUATION OF LOCATION -- CHANGE IN STATUS OF  
33 REGISTERED ORGANIZATION. A registered organization continues  
34 to be located in the jurisdiction specified by subsection 5 or  
35 6 notwithstanding:

1 a. the suspension, revocation, forfeiture, or lapse of the  
2 registered organization's status as such in its jurisdiction  
3 of organization; or

4 b. the dissolution, winding up, or cancellation of the  
5 existence of the registered organization.

6 8. LOCATION OF UNITED STATES. The United States is  
7 located in the District of Columbia.

8 9. LOCATION OF FOREIGN BANK BRANCH OR AGENCY IF LICENSED  
9 IN ONLY ONE STATE. A branch or agency of a bank that is not  
10 organized under the law of the United States or a state is  
11 located in the state in which the branch or agency is  
12 licensed, if all branches and agencies of the bank are  
13 licensed in only one state.

14 10. LOCATION OF FOREIGN AIR CARRIER. A foreign air  
15 carrier under the Federal Aviation Act of 1958, as amended, is  
16 located at the designated office of the agent upon which  
17 service of process may be made on behalf of the carrier.

18 11. SECTION APPLIES ONLY TO THIS PART. This section  
19 applies only for purposes of this part.

20 B. PERFECTION

21 Sec. 28. NEW SECTION. 554.9308 WHEN SECURITY INTEREST OR  
22 AGRICULTURAL LIEN IS PERFECTED -- CONTINUITY OF PERFECTION.

23 1. PERFECTION OF SECURITY INTEREST. Except as otherwise  
24 provided in this section and section 554.9309, a security  
25 interest is perfected if it has attached and all of the  
26 applicable requirements for perfection in sections 554.9310,  
27 554.9311, 554.9312, 554.9313, 554.9314, 554.9315, and 554.9316  
28 have been satisfied. A security interest is perfected when it  
29 attaches if the applicable requirements are satisfied before  
30 the security interest attaches.

31 2. PERFECTION OF AGRICULTURAL LIEN. An agricultural lien  
32 is perfected if it has become effective and all of the  
33 applicable requirements for perfection in section 554.9310  
34 have been satisfied. An agricultural lien is perfected when  
35 it becomes effective if the applicable requirements are

1 satisfied before the agricultural lien becomes effective.

2 3. CONTINUOUS PERFECTION -- PERFECTION BY DIFFERENT  
3 METHODS. A security interest or agricultural lien is  
4 perfected continuously if it is originally perfected by one  
5 method under this Article and is later perfected by another  
6 method under this Article, without an intermediate period when  
7 it was unperfected.

8 4. SUPPORTING OBLIGATION. Perfection of a security  
9 interest in collateral also perfects a security interest in a  
10 supporting obligation for the collateral.

11 5. LIEN SECURING RIGHT TO PAYMENT. Perfection of a  
12 security interest in a right to payment or performance also  
13 perfects a security interest in a security interest, mortgage,  
14 or other lien on personal or real property securing the right.

15 6. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.  
16 Perfection of a security interest in a securities account also  
17 perfects a security interest in the security entitlements  
18 carried in the securities account.

19 7. COMMODITY CONTRACT CARRIED IN COMMODITY ACCOUNT.  
20 Perfection of a security interest in a commodity account also  
21 perfects a security interest in the commodity contracts  
22 carried in the commodity account.

23 Sec. 29. NEW SECTION. 554.9309 SECURITY INTEREST  
24 PERFECTED UPON ATTACHMENT.

25 The following security interests are perfected when they  
26 attach:

27 1. a purchase-money security interest in consumer goods,  
28 except as otherwise provided in section 554.9311, subsection  
29 2, with respect to consumer goods that are subject to a  
30 statute or treaty described in section 554.9311, subsection 1;

31 2. an assignment of accounts or payment intangibles which  
32 does not by itself or in conjunction with other assignments to  
33 the same assignee transfer a significant part of the  
34 assignor's outstanding accounts or payment intangibles;

35 3. a sale of a payment intangible;

- 1 4. a sale of a promissory note;
- 2 5. a security interest created by the assignment of a
- 3 health-care-insurance receivable to the provider of the
- 4 health-care goods or services;
- 5 6. a security interest arising under section 554.2401,
- 6 554.2505, 554.2711, subsection 3, or section 554.13508,
- 7 subsection 5, until the debtor obtains possession of the
- 8 collateral;
- 9 7. a security interest of a collecting bank arising under
- 10 section 554.4210;
- 11 8. a security interest of an issuer or nominated person
- 12 arising under section 554.5118;
- 13 9. a security interest arising in the delivery of a
- 14 financial asset under section 554.9206, subsection 3;
- 15 10. a security interest in investment property created by
- 16 a broker or securities intermediary;
- 17 11. a security interest in a commodity contract or a
- 18 commodity account created by a commodity intermediary;
- 19 12. an assignment for the benefit of all creditors of the
- 20 transferor and subsequent transfers by the assignee
- 21 thereunder; and
- 22 13. a security interest created by an assignment of a
- 23 beneficial interest in a decedent's estate.

24 Sec. 30. NEW SECTION. 554.9310 WHEN FILING REQUIRED TO  
 25 PERFECT SECURITY INTEREST OR AGRICULTURAL LIEN -- SECURITY  
 26 INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING PROVISIONS DO  
 27 NOT APPLY.

28 1. GENERAL RULE -- PERFECTION BY FILING. Except as  
 29 otherwise provided in subsection 2 and section 554.9312,  
 30 subsection 2, a financing statement must be filed to perfect  
 31 all security interests and agricultural liens.

32 2 EXCEPTIONS -- FILING NOT NECESSARY. The filing of a  
 33 financing statement is not necessary to perfect a security  
 34 interest:

- 35 a. that is perfected under section 554.9308, subsection 4,

1 5, 6, or 7;

2 b. that is perfected under section 554.9309 when it  
3 attaches;

4 c. in property subject to a statute, regulation, or treaty  
5 described in section 554.9311, subsection 1;

6 d. in goods in possession of a bailee which is perfected  
7 under section 554.9312, subsection 4, paragraph "a" or "b";

8 e. in certificated securities, documents, goods, or  
9 instruments which is perfected without filing or possession  
10 under section 554.9312, subsection 5, 6, or 7;

11 f. in collateral in the secured party's possession under  
12 section 554.9313;

13 g. in a certificated security which is perfected by  
14 delivery of the security certificate to the secured party  
15 under section 554.9313;

16 h. in deposit accounts, electronic chattel paper,  
17 investment property, or letter-of-credit rights which is  
18 perfected by control under section 554.9314;

19 i. in proceeds which is perfected under section 554.9315;  
20 or

21 j. that is perfected under section 554.9316.

22 3. ASSIGNMENT OF PERFECTED SECURITY INTEREST. If a  
23 secured party assigns a perfected security interest or  
24 agricultural lien, a filing under this Article is not required  
25 to continue the perfected status of the security interest  
26 against creditors of and transferees from the original debtor.

27 Sec. 31. NEW SECTION. 554.9311 PERFECTION OF SECURITY  
28 INTERESTS IN PROPERTY SUBJECT TO CERTAIN STATUTES,  
29 REGULATIONS, AND TREATIES.

30 1. SECURITY INTEREST SUBJECT TO OTHER LAW. Except as  
31 otherwise provided in subsection 4, the filing of a financing  
32 statement is not necessary or effective to perfect a security  
33 interest in property subject to:

34 a. a statute, regulation, or treaty of the United States  
35 whose requirements for a security interest's obtaining

1 priority over the rights of a lien creditor with respect to  
2 the property preempt section 554.9310, subsection 1;

3 b. any certificate-of-title statute, including as provided  
4 in chapter 321, covering automobiles, trailers, mobile homes,  
5 boats, farm tractors, or the like, which provides for a  
6 security interest to be indicated on the certificate as a  
7 condition or result of perfection; or

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

13 2. COMPLIANCE WITH OTHER LAW. Compliance with the  
14 requirements of a statute, regulation, or treaty described in  
15 subsection 1 for obtaining priority over the rights of a lien  
16 creditor is equivalent to the filing of a financing statement  
17 under this Article. Except as otherwise provided in  
18 subsection 4 and sections 554.9313 and 554.9316, subsections 4  
19 and 5, for goods covered by a certificate of title, a security  
20 interest in property subject to a statute, regulation, or  
21 treaty described in subsection 1 may be perfected only by  
22 compliance with those requirements, and a security interest so  
23 perfected remains perfected notwithstanding a change in the  
24 use or transfer of possession of the collateral.

25 3. DURATION AND RENEWAL OF PERFECTION. Except as  
26 otherwise provided in subsection 4 and section 554.9316,  
27 subsections 4 and 5, duration and renewal of perfection of a  
28 security interest perfected by compliance with the  
29 requirements prescribed by a statute, regulation, or treaty  
30 described in subsection 1 are governed by the statute,  
31 regulation, or treaty. In other respects, the security  
32 interest is subject to this Article.

33 4. INAPPLICABILITY TO CERTAIN INVENTORY. During any  
34 period in which collateral is inventory held for sale or lease  
35 by a person or leased by that person as lessor and that person

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

4 Sec. 32. NEW SECTION. 554.9312 PERFECTION OF SECURITY  
5 INTERESTS IN CHATTEL PAPER, DEPOSIT ACCOUNTS, DOCUMENTS, GOODS  
6 COVERED BY DOCUMENTS, INSTRUMENTS, INVESTMENT PROPERTY,  
7 LETTER-OF-CREDIT RIGHTS, AND MONEY -- PERFECTION BY PERMISSIVE  
8 FILING -- TEMPORARY PERFECTION WITHOUT FILING OR TRANSFER OF  
9 POSSESSION.

10 1. PERFECTION BY FILING PERMITTED. A security interest in  
11 chattel paper, negotiable documents, instruments, or  
12 investment property may be perfected by filing.

13 2. CONTROL OR POSSESSION OF CERTAIN COLLATERAL. Except as  
14 otherwise provided in section 554.9315, subsections 3 and 4,  
15 for proceeds:

16 a. a security interest in a deposit account may be  
17 perfected only by control under section 554.9314;

18 b. and except as otherwise provided in section 554.9308,  
19 subsection 4, a security interest in a letter-of-credit right  
20 may be perfected only by control under section 554.9314; and

21 c. a security interest in money may be perfected only by  
22 the secured party's taking possession under section 554.9313.

23 3. GOODS COVERED BY NEGOTIABLE DOCUMENT. While goods are  
24 in the possession of a bailee that has issued a negotiable  
25 document covering the goods:

26 a. a security interest in the goods may be perfected by  
27 perfecting a security interest in the document; and

28 b. a security interest perfected in the document has  
29 priority over any security interest that becomes perfected in  
30 the goods by another method during that time.

31 4. GOODS COVERED BY NONNEGOTIABLE DOCUMENT. While goods  
32 are in the possession of a bailee that has issued a  
33 nonnegotiable document covering the goods, a security interest  
34 in the goods may be perfected by:

35 a. issuance of a document in the name of the secured



1 party;

2 b. the bailee's receipt of notification of the secured  
3 party's interest; or

4 c. filing as to the goods.

5 5. TEMPORARY PERFECTION -- NEW VALUE. A security interest  
6 in certificated securities, negotiable documents, or  
7 instruments is perfected without filing or the taking of  
8 possession for a period of twenty days from the time it  
9 attaches to the extent that it arises for new value given  
10 under an authenticated security agreement.

11 6. TEMPORARY PERFECTION -- GOODS OR DOCUMENTS MADE  
12 AVAILABLE TO DEBTOR. A perfected security interest in a  
13 negotiable document or goods in possession of a bailee, other  
14 than one that has issued a negotiable document for the goods,  
15 remains perfected for twenty days without filing if the  
16 secured party makes available to the debtor the goods or  
17 documents representing the goods for the purpose of:

18 a. ultimate sale or exchange; or

19 b. loading, unloading, storing, shipping, transshipping,  
20 manufacturing, processing, or otherwise dealing with them in a  
21 manner preliminary to their sale or exchange.

22 7. TEMPORARY PERFECTION -- DELIVERY OF SECURITY  
23 CERTIFICATE OR INSTRUMENT TO DEBTOR. A perfected security  
24 interest in a certificated security or instrument remains  
25 perfected for twenty days without filing if the secured party  
26 delivers the security certificate or instrument to the debtor  
27 for the purpose of:

28 a. ultimate sale or exchange; or

29 b. presentation, collection, enforcement, renewal, or  
30 registration of transfer.

31 8. EXPIRATION OF TEMPORARY PERFECTION. After the twenty-  
32 day period specified in subsection 5, 6, or 7 expires,  
33 perfection depends upon compliance with this Article.

34 Sec. 33. NEW SECTION. 554.9313 WHEN POSSESSION BY OR  
35 DELIVERY TO SECURED PARTY PERFECTS SECURITY INTEREST WITHOUT

1 FILING.

2 1. PERFECTION BY POSSESSION OR DELIVERY. Except as  
3 otherwise provided in subsection 2, a secured party may  
4 perfect a security interest in negotiable documents, goods,  
5 instruments, money, or tangible chattel paper by taking  
6 possession of the collateral. A secured party may perfect a  
7 security interest in certificated securities by taking  
8 delivery of the certificated securities under section  
9 554.8301.

10 2. GOODS COVERED BY CERTIFICATE OF TITLE. With respect to  
11 goods covered by a certificate of title issued by this state,  
12 a secured party may perfect a security interest in the goods  
13 by taking possession of the goods only in the circumstances  
14 described in section 554.9316, subsection 4.

15 3. COLLATERAL IN POSSESSION OF PERSON OTHER THAN DEBTOR.  
16 With respect to collateral other than certificated securities  
17 and goods covered by a document, a secured party takes  
18 possession of collateral in the possession of a person other  
19 than the debtor, the secured party, or a lessee of the  
20 collateral from the debtor in the ordinary course of the  
21 debtor's business, when:

22 a. the person in possession authenticates a record  
23 acknowledging that it holds possession of the collateral for  
24 the secured party's benefit; or

25 b. the person takes possession of the collateral after  
26 having authenticated a record acknowledging that it will hold  
27 possession of collateral for the secured party's benefit.

28 4. TIME OF PERFECTION BY POSSESSION -- CONTINUATION OF  
29 PERFECTION. If perfection of a security interest depends upon  
30 possession of the collateral by a secured party, perfection  
31 occurs no earlier than the time the secured party takes  
32 possession and continues only while the secured party retains  
33 possession.

34 5. TIME OF PERFECTION BY DELIVERY -- CONTINUATION OF  
35 PERFECTION. A security interest in a certificated security in

1 registered form is perfected by delivery when delivery of the  
2 certificated security occurs under section 554.8301 and  
3 remains perfected by delivery until the debtor obtains  
4 possession of the security certificate.

5 6. ACKNOWLEDGMENT NOT REQUIRED. A person in possession of  
6 collateral is not required to acknowledge that it holds  
7 possession for a secured party's benefit.

8 7. EFFECTIVENESS OF ACKNOWLEDGMENT -- NO DUTIES OR  
9 CONFIRMATION. If a person acknowledges that it holds  
10 possession for the secured party's benefit:

11 a. the acknowledgment is effective under subsection 3 or  
12 section 554.8301, subsection 1, even if the acknowledgment  
13 violates the rights of a debtor; and

14 b. unless the person otherwise agrees or law other than  
15 this Article otherwise provides, the person does not owe any  
16 duty to the secured party and is not required to confirm the  
17 acknowledgment to another person.

18 8. SECURED PARTY'S DELIVERY TO PERSON OTHER THAN DEBTOR.  
19 A secured party having possession of collateral does not  
20 relinquish possession by delivering the collateral to a person  
21 other than the debtor or a lessee of the collateral from the  
22 debtor in the ordinary course of the debtor's business if the  
23 person was instructed before the delivery or is instructed  
24 contemporaneously with the delivery:

25 a. to hold possession of the collateral for the secured  
26 party's benefit; or

27 b. to redeliver the collateral to the secured party.

28 9. EFFECT OF DELIVERY UNDER SUBSECTION 8 -- NO DUTIES OR  
29 CONFIRMATION. A secured party does not relinquish possession,  
30 even if a delivery under subsection 8 violates the rights of a  
31 debtor. A person to which collateral is delivered under  
32 subsection 8 does not owe any duty to the secured party and is  
33 not required to confirm the delivery to another person unless  
34 the person otherwise agrees or law other than this Article  
35 otherwise provides.

1     Sec. 34. NEW SECTION. 554.9314 PERFECTION BY CONTROL.

2     1. PERFECTION BY CONTROL. A security interest in  
3 investment property, deposit accounts, letter-of-credit  
4 rights, or electronic chattel paper may be perfected by  
5 control of the collateral under section 554.9104, 554.9105,  
6 554.9106, or 554.9107.

7     2. SPECIFIED COLLATERAL -- TIME OF PERFECTION BY CONTROL  
8 -- CONTINUATION OF PERFECTION. A security interest in deposit  
9 accounts, electronic chattel paper, or letter-of-credit rights  
10 is perfected by control under section 554.9104, 554.9105, or  
11 554.9107 when the secured party obtains control and remains  
12 perfected by control only while the secured party retains  
13 control.

14    3. INVESTMENT PROPERTY -- TIME OF PERFECTION BY CONTROL --  
15 CONTINUATION OF PERFECTION. A security interest in investment  
16 property is perfected by control under section 554.9106 from  
17 the time the secured party obtains control and remains  
18 perfected by control until:

19    a. the secured party does not have control; and

20    b. one of the following occurs:

21       (1) if the collateral is a certificated security, the  
22 debtor has or acquires possession of the security certificate;

23       (2) if the collateral is an uncertificated security, the  
24 issuer has registered or registers the debtor as the  
25 registered owner; or

26       (3) if the collateral is a security entitlement, the  
27 debtor is or becomes the entitlement holder.

28     Sec. 35. NEW SECTION. 554.9315 SECURED PARTY'S RIGHTS ON  
29 DISPOSITION OF COLLATERAL AND IN PROCEEDS.

30     1. DISPOSITION OF COLLATERAL -- CONTINUATION OF SECURITY  
31 INTEREST OR AGRICULTURAL LIEN -- PROCEEDS. Except as  
32 otherwise provided in this Article and in section 554.2403,  
33 subsection 2:

34     a. a security interest or agricultural lien continues in  
35 collateral notwithstanding sale, lease, license, exchange, or

1 other disposition thereof unless the secured party authorized  
2 the disposition free of the security interest or agricultural  
3 lien; and

4 b. a security interest attaches to any identifiable  
5 proceeds of collateral.

6 2. WHEN COMMINGLED PROCEEDS IDENTIFIABLE. Proceeds that  
7 are commingled with other property are identifiable proceeds:

8 a. if the proceeds are goods, to the extent provided by  
9 section 554.9336; and

10 b. if the proceeds are not goods, to the extent that the  
11 secured party identifies the proceeds by a method of tracing,  
12 including application of equitable principles, that is  
13 permitted under law other than this Article with respect to  
14 commingled property of the type involved.

15 3. PERFECTION OF SECURITY INTEREST IN PROCEEDS. A  
16 security interest in proceeds is a perfected security interest  
17 if the security interest in the original collateral was  
18 perfected.

19 4. CONTINUATION OF PERFECTION. A perfected security  
20 interest in proceeds becomes unperfected on the twenty-first  
21 day after the security interest attaches to the proceeds  
22 unless:

23 a. the following conditions are satisfied:

24 (1) a filed financing statement covers the original  
25 collateral;

26 (2) the proceeds are collateral in which a security  
27 interest may be perfected by filing in the office in which the  
28 financing statement has been filed; and

29 (3) the proceeds are not acquired with cash proceeds;

30 b. the proceeds are identifiable cash proceeds; or

31 c. the security interest in the proceeds is perfected  
32 other than under subsection 3 when the security interest  
33 attaches to the proceeds or within twenty days thereafter.

34 5. WHEN PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES  
35 UNPERFECTED. If a filed financing statement covers the

1 original collateral, a security interest in proceeds which  
2 remains perfected under subsection 4, paragraph "a", becomes  
3 unperfected at the later of:

4 a. when the effectiveness of the filed financing statement  
5 lapses under section 554.9515 or is terminated under section  
6 554.9513; or

7 b. the twenty-first day after the security interest  
8 attaches to the proceeds.

9 Sec. 36. NEW SECTION. 554.9316 CONTINUED PERFECTION OF  
10 SECURITY INTEREST FOLLOWING CHANGE IN GOVERNING LAW.

11 1. GENERAL RULE -- EFFECT ON PERFECTION OF CHANGE IN  
12 GOVERNING LAW. A security interest perfected pursuant to the  
13 law of the jurisdiction designated in section 554.9301,  
14 subsection 1, or section 554.9305, subsection 3, remains  
15 perfected until the earliest of:

16 a. the time perfection would have ceased under the law of  
17 that jurisdiction;

18 b. the expiration of four months after a change of the  
19 debtor's location to another jurisdiction; or

20 c. the expiration of one year after a transfer of  
21 collateral to a person that thereby becomes a debtor and is  
22 located in another jurisdiction.

23 2. SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF  
24 NEW JURISDICTION. If a security interest described in  
25 subsection 1 becomes perfected under the law of the other  
26 jurisdiction before the earliest time or event described in  
27 that subsection, it remains perfected thereafter. If the  
28 security interest does not become perfected under the law of  
29 the other jurisdiction before the earliest time or event, it  
30 becomes unperfected and is deemed never to have been perfected  
31 as against a purchaser of the collateral for value.

32 3. POSSESSORY SECURITY INTEREST IN COLLATERAL MOVED TO NEW  
33 JURISDICTION. A possessory security interest in collateral,  
34 other than goods covered by a certificate of title and as-  
35 extracted collateral consisting of goods, remains continuously

1 perfected if:

2 a. the collateral is located in one jurisdiction and  
3 subject to a security interest perfected under the law of that  
4 jurisdiction;

5 b. thereafter the collateral is brought into another  
6 jurisdiction; and

7 c. upon entry into the other jurisdiction, the security  
8 interest is perfected under the law of the other jurisdiction.

9 4. GOODS COVERED BY CERTIFICATE OF TITLE FROM THIS STATE.

10 Except as otherwise provided in subsection 5, a security  
11 interest in goods covered by a certificate of title which is  
12 perfected by any method under the law of another jurisdiction  
13 when the goods become covered by a certificate of title from  
14 this state remains perfected until the security interest would  
15 have become unperfected under the law of the other  
16 jurisdiction had the goods not become so covered.

17 5. WHEN SUBSECTION 4 SECURITY INTEREST BECOMES UNPERFECTED

18 AGAINST PURCHASERS. A security interest described in  
19 subsection 4 becomes unperfected as against a purchaser of the  
20 goods for value and is deemed never to have been perfected as  
21 against a purchaser of the goods for value if the applicable  
22 requirements for perfection under section 554.9311, subsection  
23 2, or section 554.9313 are not satisfied before the earlier  
24 of:

25 a. the time the security interest would have become  
26 unperfected under the law of the other jurisdiction had the  
27 goods not become covered by a certificate of title from this  
28 state; or

29 b. the expiration of four months after the goods had  
30 become so covered.

31 6. CHANGE IN JURISDICTION OF BANK, ISSUER, NOMINATED  
32 PERSON, SECURITIES INTERMEDIARY, OR COMMODITY INTERMEDIARY. A

33 security interest in deposit accounts, letter-of-credit  
34 rights, or investment property which is perfected under the  
35 law of the bank's jurisdiction, the issuer's jurisdiction, a

1 nominated person's jurisdiction, the securities intermediary's  
2 jurisdiction, or the commodity intermediary's jurisdiction, as  
3 applicable, remains perfected until the earlier of:

4 a. the time the security interest would have become  
5 unperfected under the law of that jurisdiction; or

6 b. the expiration of four months after a change of the  
7 applicable jurisdiction to another jurisdiction.

8 7. SUBSECTION 6 SECURITY INTEREST PERFECTED OR UNPERFECTED  
9 UNDER LAW OF NEW JURISDICTION. If a security interest  
10 described in subsection 6 becomes perfected under the law of  
11 the other jurisdiction before the earlier of the time or the  
12 end of the period described in that subsection, it remains  
13 perfected thereafter. If the security interest does not  
14 become perfected under the law of the other jurisdiction  
15 before the earlier of that time or the end of that period, it  
16 becomes unperfected and is deemed never to have been perfected  
17 as against a purchaser of the collateral for value.

18 C. PRIORITY

19 Sec. 37. NEW SECTION. 554.9317 INTERESTS THAT TAKE  
20 PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST OR  
21 AGRICULTURAL LIEN.

22 1. CONFLICTING SECURITY INTERESTS AND RIGHTS OF LIEN  
23 CREDITORS. A security interest or agricultural lien is  
24 subordinate to the rights of:

25 a. a person entitled to priority under section 554.9322;  
26 and

27 b. except as otherwise provided in subsection 5, a person  
28 that becomes a lien creditor before the earlier of the time  
29 the security interest or agricultural lien is perfected or a  
30 financing statement covering the collateral is filed.

31 2. BUYERS THAT RECEIVE DELIVERY. Except as otherwise  
32 provided in subsection 5, a buyer, other than a secured party,  
33 of tangible chattel paper, documents, goods, instruments, or a  
34 security certificate takes free of a security interest or  
35 agricultural lien if the buyer gives value and receives



1 delivery of the collateral without knowledge of the security  
2 interest or agricultural lien and before it is perfected.

3 3. LESSEES THAT RECEIVE DELIVERY. Except as otherwise  
4 provided in subsection 5, a lessee of goods takes free of a  
5 security interest or agricultural lien if the lessee gives  
6 value and receives delivery of the collateral without  
7 knowledge of the security interest or agricultural lien and  
8 before it is perfected.

9 4. LICENSEES AND BUYERS OF CERTAIN COLLATERAL. A licensee  
10 of a general intangible or a buyer, other than a secured  
11 party, of accounts, electronic chattel paper, general  
12 intangibles, or investment property other than a certificated  
13 security takes free of a security interest if the licensee or  
14 buyer gives value without knowledge of the security interest  
15 and before it is perfected.

16 5. PURCHASE-MONEY SECURITY INTEREST. Except as otherwise  
17 provided in sections 554.9320 and 554.9321, if a person files  
18 a financing statement with respect to a purchase-money  
19 security interest before or within twenty days after the  
20 debtor receives delivery of the collateral, the security  
21 interest takes priority over the rights of a buyer, lessee, or  
22 lien creditor which arise between the time the security  
23 interest attaches and the time of filing.

24 Sec. 38. NEW SECTION. 554.9318 NO INTEREST RETAINED IN  
25 RIGHT TO PAYMENT THAT IS SOLD -- RIGHTS AND TITLE OF SELLER OF  
26 ACCOUNT OR CHATTEL PAPER WITH RESPECT TO CREDITORS AND  
27 PURCHASERS.

28 1. SELLER RETAINS NO INTEREST. A debtor that has sold an  
29 account, chattel paper, payment intangible, or promissory note  
30 does not retain a legal or equitable interest in the  
31 collateral sold.

32 2. DEEMED RIGHTS OF DEBTOR IF BUYER'S SECURITY INTEREST  
33 UNPERFECTED. For purposes of determining the rights of  
34 creditors of, and purchasers for value of an account or  
35 chattel paper from, a debtor that has sold an account or

1 chattel paper, while the buyer's security interest is  
2 unperfected, the debtor is deemed to have rights and title to  
3 the account or chattel paper identical to those the debtor  
4 sold.

5 Sec. 39. NEW SECTION. 554.9319 RIGHTS AND TITLE OF  
6 CONSIGNEE WITH RESPECT TO CREDITORS AND PURCHASERS.

7 1. CONSIGNEE HAS CONSIGNOR'S RIGHTS. Except as otherwise  
8 provided in subsection 2, for purposes of determining the  
9 rights of creditors of, and purchasers for value of goods  
10 from, a consignee, while the goods are in the possession of  
11 the consignee, the consignee is deemed to have rights and  
12 title to the goods identical to those the consignor had or had  
13 power to transfer.

14 2. APPLICABILITY OF OTHER LAW. For purposes of  
15 determining the rights of a creditor of a consignee, law other  
16 than this Article determines the rights and title of a  
17 consignee while goods are in the consignee's possession if,  
18 under this part, a perfected security interest held by the  
19 consignor would have priority over the rights of the creditor.

20 Sec. 40. NEW SECTION. 554.9320 BUYER OF GOODS.

21 1. BUYER IN ORDINARY COURSE OF BUSINESS. Except as  
22 otherwise provided in subsection 5, a buyer in ordinary course  
23 of business, other than a person buying farm products from a  
24 person engaged in farming operations, takes free of a security  
25 interest created by the buyer's seller, even if the security  
26 interest is perfected and the buyer knows of its existence.

27 2. BUYER OF CONSUMER GOODS. Except as otherwise provided  
28 in subsection 5, a buyer of goods from a person who used or  
29 bought the goods for use primarily for personal, family, or  
30 household purposes takes free of a security interest, even if  
31 perfected, if the buyer buys:

- 32 a. without knowledge of the security interest;
- 33 b. for value;
- 34 c. primarily for the buyer's personal, family, or  
35 household purposes; and

1 d. before the filing of a financing statement covering the  
2 goods.

3 3. EFFECTIVENESS OF FILING FOR SUBSECTION 2. To the  
4 extent that it affects the priority of a security interest  
5 over a buyer of goods under subsection 2, the period of  
6 effectiveness of a filing made in the jurisdiction in which  
7 the seller is located is governed by section 554.9316,  
8 subsections 1 and 2.

9 4. BUYER IN ORDINARY COURSE OF BUSINESS AT WELLHEAD OR  
10 MINEHEAD. A buyer in ordinary course of business buying oil,  
11 gas, or other minerals at the wellhead or minehead or after  
12 extraction takes free of an interest arising out of an  
13 encumbrance.

14 5. POSSESSORY SECURITY INTEREST NOT AFFECTED. Subsections  
15 1 and 2 do not affect a security interest in goods in the  
16 possession of the secured party under section 554.9313.

17 Sec. 41. NEW SECTION. 554.9321 LICENSEE OF GENERAL  
18 INTANGIBLE AND LESSEE OF GOODS IN ORDINARY COURSE OF BUSINESS.

19 1. LICENSEE IN ORDINARY COURSE OF BUSINESS. In this  
20 section, "licensee in ordinary course of business" means a  
21 person that becomes a licensee of a general intangible in good  
22 faith, without knowledge that the license violates the rights  
23 of another person in the general intangible, and in the  
24 ordinary course from a person in the business of licensing  
25 general intangibles of that kind. A person becomes a licensee  
26 in the ordinary course if the license to the person comports  
27 with the usual or customary practices in the kind of business  
28 in which the licensor is engaged or with the licensor's own  
29 usual or customary practices.

30 2. RIGHTS OF LICENSEE IN ORDINARY COURSE OF BUSINESS. A  
31 licensee in ordinary course of business takes its rights under  
32 a nonexclusive license free of a security interest in the  
33 general intangible created by the licensor, even if the  
34 security interest is perfected and the licensee knows of its  
35 existence.

1 3. RIGHTS OF LESSEE IN ORDINARY COURSE OF BUSINESS. A  
2 lessee in ordinary course of business takes its leasehold  
3 interest free of a security interest in the goods created by  
4 the lessor, even if the security interest is perfected and the  
5 lessee knows of its existence.

6 Sec. 42. NEW SECTION. 554.9322 PRIORITIES AMONG  
7 CONFLICTING SECURITY INTERESTS IN AND AGRICULTURAL LIENS ON  
8 SAME COLLATERAL.

9 1. GENERAL PRIORITY RULES. Except as otherwise provided  
10 in this section, priority among conflicting security interests  
11 and agricultural liens in the same collateral is determined  
12 according to the following rules:

13 a. Conflicting perfected security interests and  
14 agricultural liens rank according to priority in time of  
15 filing or perfection. Priority dates from the earlier of the  
16 time a filing covering the collateral is first made or the  
17 security interest or agricultural lien is first perfected, if  
18 there is no period thereafter when there is neither filing nor  
19 perfection.

20 b. A perfected security interest or agricultural lien has  
21 priority over a conflicting unperfected security interest or  
22 agricultural lien.

23 c. The first security interest or agricultural lien to  
24 attach or become effective has priority if conflicting  
25 security interests and agricultural liens are unperfected.

26 2. TIME OF PERFECTION -- PROCEEDS AND SUPPORTING  
27 OBLIGATIONS. For the purposes of subsection 1, paragraph "a":

28 a. the time of filing or perfection as to a security  
29 interest in collateral is also the time of filing or  
30 perfection as to a security interest in proceeds; and

31 b. the time of filing or perfection as to a security  
32 interest in collateral supported by a supporting obligation is  
33 also the time of filing or perfection as to a security  
34 interest in the supporting obligation.

35 3. SPECIAL PRIORITY RULES -- PROCEEDS AND SUPPORTING

1 OBLIGATIONS. Except as otherwise provided in subsection 6, a  
2 security interest in collateral which qualifies for priority  
3 over a conflicting security interest under section 554.9327,  
4 554.9328, 554.9329, 554.9330, or 554.9331 also has priority  
5 over a conflicting security interest in:

- 6 a. any supporting obligation for the collateral; and
- 7 b. proceeds of the collateral if:
  - 8 (1) the security interest in proceeds is perfected;
  - 9 (2) the proceeds are cash proceeds or of the same type as  
10 the collateral; and
  - 11 (3) in the case of proceeds that are proceeds of proceeds,  
12 all intervening proceeds are cash proceeds, proceeds of the  
13 same type as the collateral, or an account relating to the  
14 collateral.

15 4. FIRST-TO-FILE PRIORITY RULE FOR CERTAIN COLLATERAL.

16 Subject to subsection 5 and except as otherwise provided in  
17 subsection 6, if a security interest in chattel paper, deposit  
18 accounts, negotiable documents, instruments, investment  
19 property, or letter-of-credit rights is perfected by a method  
20 other than filing, conflicting perfected security interests in  
21 proceeds of the collateral rank according to priority in time  
22 of filing.

23 5. APPLICABILITY OF SUBSECTION 4. Subsection 4 applies  
24 only if the proceeds of the collateral are not cash proceeds,  
25 chattel paper, negotiable documents, instruments, investment  
26 property, or letter-of-credit rights.

27 6. LIMITATIONS ON SUBSECTIONS 1 THROUGH 5. Subsections 1  
28 through 5 are subject to:

- 29 a. subsection 7 and the other provisions of this part;
- 30 b. section 554.4210 with respect to a security interest of  
31 a collecting bank;
- 32 c. section 554.5118 with respect to a security interest of  
33 an issuer or nominated person; and
- 34 d. section 554.9110 with respect to a security interest  
35 arising under Article 2 or 13.

1 7. PRIORITY UNDER AGRICULTURAL LIEN STATUTE. A perfected  
2 agricultural lien on collateral has priority over a  
3 conflicting security interest in or agricultural lien on the  
4 same collateral if the statute creating the agricultural lien  
5 so provides.

6 Sec. 43. NEW SECTION. 554.9323 FUTURE ADVANCES.

7 1. WHEN PRIORITY BASED ON TIME OF ADVANCE. Except as  
8 otherwise provided in subsection 3, for purposes of  
9 determining the priority of a perfected security interest  
10 under section 554.9322, subsection 1, paragraph "a",  
11 perfection of the security interest dates from the time an  
12 advance is made to the extent that the security interest  
13 secures an advance that:

14 a. is made while the security interest is perfected only:

15 (1) under section 554.9309 when it attaches; or

16 (2) temporarily under section 554.9312, subsection 5, 6,  
17 or 7; and

18 b. is not made pursuant to a commitment entered into  
19 before or while the security interest is perfected by a method  
20 other than under section 554.9309 or 554.9312, subsection 5,  
21 6, or 7.

22 2. LIEN CREDITOR. Except as otherwise provided in  
23 subsection 3, a security interest is subordinate to the rights  
24 of a person that becomes a lien creditor to the extent that  
25 the security interest secures an advance made more than forty-  
26 five days after the person becomes a lien creditor unless the  
27 advance is made:

28 a. without knowledge of the lien; or

29 b. pursuant to a commitment entered into without knowledge  
30 of the lien.

31 3. BUYER OF RECEIVABLES. Subsections 1 and 2 do not apply  
32 to a security interest held by a secured party that is a buyer  
33 of accounts, chattel paper, payment intangibles, or promissory  
34 notes or a consignor.

35 4. BUYER OF GOODS. Except as otherwise provided in

1 subsection 5, a buyer of goods other than a buyer in ordinary  
2 course of business takes free of a security interest to the  
3 extent that it secures advances made after the earlier of:

- 4 a. the time the secured party acquires knowledge of the
- 5 buyer's purchase; or
- 6 b. forty-five days after the purchase.

7 5. ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF  
8 BUYER OF GOODS. Subsection 4 does not apply if the advance is  
9 made pursuant to a commitment entered into without knowledge  
10 of the buyer's purchase and before the expiration of the  
11 forty-five-day period.

12 6. LESSEE OF GOODS. Except as otherwise provided in  
13 subsection 7, a lessee of goods, other than a lessee in  
14 ordinary course of business, takes the leasehold interest free  
15 of a security interest to the extent that it secures advances  
16 made after the earlier of:

- 17 a. the time the secured party acquires knowledge of the
- 18 lease; or
- 19 b. forty-five days after the lease contract becomes
- 20 enforceable.

21 7. ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF  
22 LESSEE OF GOODS. Subsection 6 does not apply if the advance  
23 is made pursuant to a commitment entered into without  
24 knowledge of the lease and before the expiration of the forty-  
25 five-day period.

26 Sec. 44. NEW SECTION. 554.9324 PRIORITY OF PURCHASE-  
27 MONEY SECURITY INTERESTS.

28 1. GENERAL RULE -- PURCHASE-MONEY PRIORITY. Except as  
29 otherwise provided in subsection 7, a perfected purchase-money  
30 security interest in goods other than inventory or livestock  
31 has priority over a conflicting security interest in the same  
32 goods, and, except as otherwise provided in section 554.9327,  
33 a perfected security interest in its identifiable proceeds  
34 also has priority, if the purchase-money security interest is  
35 perfected when the debtor receives possession of the

1 collateral or within twenty days thereafter.

2 2. INVENTORY PURCHASE-MONEY PRIORITY. Subject to  
3 subsection 3 and except as otherwise provided in subsection 7,  
4 a perfected purchase-money security interest in inventory has  
5 priority over a conflicting security interest in the same  
6 inventory, has priority over a conflicting security interest  
7 in chattel paper or an instrument constituting proceeds of the  
8 inventory and in proceeds of the chattel paper, if so provided  
9 in section 554.9330, and, except as otherwise provided in  
10 section 554.9327, also has priority in identifiable cash  
11 proceeds of the inventory to the extent the identifiable cash  
12 proceeds are received on or before the delivery of the  
13 inventory to a buyer, if:

14 a. the purchase-money security interest is perfected when  
15 the debtor receives possession of the inventory;

16 b. the purchase-money secured party sends an authenticated  
17 notification to the holder of the conflicting security  
18 interest;

19 c. the holder of the conflicting security interest  
20 receives the notification within five years before the debtor  
21 receives possession of the inventory; and

22 d. the notification states that the person sending the  
23 notification has or expects to acquire a purchase-money  
24 security interest in inventory of the debtor and describes the  
25 inventory.

26 3. HOLDERS OF CONFLICTING INVENTORY SECURITY INTERESTS TO  
27 BE NOTIFIED. Subsection 2, paragraphs "b" through "d", apply  
28 only if the holder of the conflicting security interest had  
29 filed a financing statement covering the same types of  
30 inventory:

31 a. if the purchase-money security interest is perfected by  
32 filing, before the date of the filing; or

33 b. if the purchase-money security interest is temporarily  
34 perfected without filing or possession under section 554.9312,  
35 subsection 6, before the beginning of the twenty-day period



1 thereunder.

2 4. LIVESTOCK PURCHASE-MONEY PRIORITY. Subject to  
3 subsection 5 and except as otherwise provided in subsection 7,  
4 a perfected purchase-money security interest in livestock that  
5 are farm products has priority over a conflicting security  
6 interest in the same livestock, and, except as otherwise  
7 provided in section 554.9327, a perfected security interest in  
8 their identifiable proceeds and identifiable products in their  
9 unmanufactured states also has priority, if:

10 a. the purchase-money security interest is perfected when  
11 the debtor receives possession of the livestock;

12 b. the purchase-money secured party sends an authenticated  
13 notification to the holder of the conflicting security  
14 interest;

15 c. the holder of the conflicting security interest  
16 receives the notification within six months before the debtor  
17 receives possession of the livestock; and

18 d. the notification states that the person sending the  
19 notification has or expects to acquire a purchase-money  
20 security interest in livestock of the debtor and describes the  
21 livestock.

22 5. HOLDERS OF CONFLICTING LIVESTOCK SECURITY INTERESTS TO  
23 BE NOTIFIED. Subsection 4, paragraphs "b" through "d", apply  
24 only if the holder of the conflicting security interest had  
25 filed a financing statement covering the same types of  
26 livestock:

27 a. if the purchase-money security interest is perfected by  
28 filing, before the date of the filing; or

29 b. if the purchase-money security interest is temporarily  
30 perfected without filing or possession under section 554.9312,  
31 subsection 6, before the beginning of the twenty-day period  
32 thereunder.

33 6. SOFTWARE PURCHASE-MONEY PRIORITY. Except as otherwise  
34 provided in subsection 7, a perfected purchase-money security  
35 interest in software has priority over a conflicting security

1 interest in the same collateral, and, except as otherwise  
2 provided in section 554.9327, a perfected security interest in  
3 its identifiable proceeds also has priority, to the extent  
4 that the purchase-money security interest in the goods in  
5 which the software was acquired for use has priority in the  
6 goods and proceeds of the goods under this section.

7 7. CONFLICTING PURCHASE-MONEY SECURITY INTERESTS. If more  
8 than one security interest qualifies for priority in the same  
9 collateral under subsection 1, 2, 4, or 6:

10 a. a security interest securing an obligation incurred as  
11 all or part of the price of the collateral has priority over a  
12 security interest securing an obligation incurred for value  
13 given to enable the debtor to acquire rights in or the use of  
14 collateral; and

15 b. in all other cases, section 554.9322, subsection 1,  
16 applies to the qualifying security interests.

17 Sec. 45. NEW SECTION. 554.9325 PRIORITY OF SECURITY  
18 INTERESTS IN TRANSFERRED COLLATERAL.

19 1. SUBORDINATION OF SECURITY INTEREST IN TRANSFERRED  
20 COLLATERAL. Except as otherwise provided in subsection 2, a  
21 security interest created by a debtor is subordinate to a  
22 security interest in the same collateral created by another  
23 person if:

24 a. the debtor acquired the collateral subject to the  
25 security interest created by the other person;

26 b. the security interest created by the other person was  
27 perfected when the debtor acquired the collateral; and

28 c. there is no period thereafter when the security  
29 interest is unperfected.

30 2. LIMITATION OF SUBSECTION 1 SUBORDINATION. Subsection 1  
31 subordinates a security interest only if the security  
32 interest:

33 a. otherwise would have priority solely under section  
34 554.9322, subsection 1, or section 554.9324; or

35 b. arose solely under section 554.2711, subsection 3, or

1 section 554.13508, subsection 5.

2 Sec. 46. NEW SECTION. 554.9326 PRIORITY OF SECURITY  
3 INTERESTS CREATED BY NEW DEBTOR.

4 1. SUBORDINATION OF SECURITY INTEREST CREATED BY NEW  
5 DEBTOR. Subject to subsection 2, a security interest created  
6 by a new debtor which is perfected by a filed financing  
7 statement that is effective solely under section 554.9508 in  
8 collateral in which a new debtor has or acquires rights is  
9 subordinate to a security interest in the same collateral  
10 which is perfected other than by a filed financing statement  
11 that is effective solely under section 554.9508.

12 2. PRIORITY UNDER OTHER PROVISIONS -- MULTIPLE ORIGINAL  
13 DEBTORS. The other provisions of this part determine the  
14 priority among conflicting security interests in the same  
15 collateral perfected by filed financing statements that are  
16 effective solely under section 554.9508. However, if the  
17 security agreements to which a new debtor became bound as  
18 debtor were not entered into by the same original debtor, the  
19 conflicting security interests rank according to priority in  
20 time of the new debtor's having become bound.

21 Sec. 47. NEW SECTION. 554.9327 PRIORITY OF SECURITY  
22 INTERESTS IN DEPOSIT ACCOUNT.

23 The following rules govern priority among conflicting  
24 security interests in the same deposit account:

25 1. A security interest held by a secured party having  
26 control of the deposit account under section 554.9104 has  
27 priority over a conflicting security interest held by a  
28 secured party that does not have control.

29 2. Except as otherwise provided in subsections 3 and 4,  
30 security interests perfected by control under section 554.9314  
31 rank according to priority in time of obtaining control.

32 3. Except as otherwise provided in subsection 4, a  
33 security interest held by the bank with which the deposit  
34 account is maintained has priority over a conflicting security  
35 interest held by another secured party.

1 4. A security interest perfected by control under section  
2 554.9104, subsection 1, paragraph "c", has priority over a  
3 security interest held by the bank with which the deposit  
4 account is maintained.

5 Sec. 48. NEW SECTION. 554.9328 PRIORITY OF SECURITY  
6 INTERESTS IN INVESTMENT PROPERTY.

7 The following rules govern priority among conflicting  
8 security interests in the same investment property:

9 1. A security interest held by a secured party having  
10 control of investment property under section 554.9106 has  
11 priority over a security interest held by a secured party that  
12 does not have control of the investment property.

13 2. Except as otherwise provided in subsections 3 and 4,  
14 conflicting security interests held by secured parties each of  
15 which has control under section 554.9106 rank according to  
16 priority in time of:

17 a. if the collateral is a security, obtaining control;

18 b. if the collateral is a security entitlement carried in  
19 a securities account and:

20 (1) if the secured party obtained control under section  
21 554.8106, subsection 4, paragraph "a", the secured party's  
22 becoming the person for which the securities account is  
23 maintained;

24 (2) if the secured party obtained control under section  
25 554.8106, subsection 4, paragraph "b", the securities  
26 intermediary's agreement to comply with the secured party's  
27 entitlement orders with respect to security entitlements  
28 carried or to be carried in the securities account; or

29 (3) if the secured party obtained control through another  
30 person under section 554.8106, subsection 4, paragraph "b",  
31 the time on which priority would be based under this  
32 subsection if the other person were the secured party; or

33 c. if the collateral is a commodity contract carried with  
34 a commodity intermediary, the satisfaction of the requirement  
35 for control specified in section 554.9106, subsection 2,

1 paragraph "b", with respect to commodity contracts carried or  
2 to be carried with the commodity intermediary.

3 3. A security interest held by a securities intermediary  
4 in a security entitlement or a securities account maintained  
5 with the securities intermediary has priority over a  
6 conflicting security interest held by another secured party.

7 4. A security interest held by a commodity intermediary in  
8 a commodity contract or a commodity account maintained with  
9 the commodity intermediary has priority over a conflicting  
10 security interest held by another secured party.

11 5. A security interest in a certificated security in  
12 registered form which is perfected by taking delivery under  
13 section 554.9313, subsection 1, and not by control under  
14 section 554.9314 has priority over a conflicting security  
15 interest perfected by a method other than control.

16 6. Conflicting security interests created by a broker,  
17 securities intermediary, or commodity intermediary which are  
18 perfected without control under section 554.9106 rank equally.

19 7. In all other cases, priority among conflicting security  
20 interests in investment property is governed by sections  
21 554.9322 and 554.9323.

22 Sec. 49. NEW SECTION. 554.9329 PRIORITY OF SECURITY  
23 INTERESTS IN LETTER-OF-CREDIT RIGHT.

24 The following rules govern priority among conflicting  
25 security interests in the same letter-of-credit right:

26 1. A security interest held by a secured party having  
27 control of the letter-of-credit right under section 554.9107  
28 has priority to the extent of its control over a conflicting  
29 security interest held by a secured party that does not have  
30 control.

31 2. Security interests perfected by control under section  
32 554.9314 rank according to priority in time of obtaining  
33 control.

34 Sec. 50. NEW SECTION. 554.9330 PRIORITY OF PURCHASER OF  
35 CHATTEL PAPER OR INSTRUMENT.

1 1. PURCHASER'S PRIORITY -- SECURITY INTEREST CLAIMED  
2 MERELY AS PROCEEDS. A purchaser of chattel paper has priority  
3 over a security interest in the chattel paper which is claimed  
4 merely as proceeds of inventory subject to a security interest  
5 if:

6 a. in good faith and in the ordinary course of the  
7 purchaser's business, the purchaser gives new value and takes  
8 possession of the chattel paper or obtains control of the  
9 chattel paper under section 554.9105; and

10 b. the chattel paper does not indicate that it has been  
11 assigned to an identified assignee other than the purchaser.

12 2. PURCHASER'S PRIORITY -- OTHER SECURITY INTERESTS. A  
13 purchaser of chattel paper has priority over a security  
14 interest in the chattel paper which is claimed other than  
15 merely as proceeds of inventory subject to a security interest  
16 if the purchaser gives new value and takes possession of the  
17 chattel paper or obtains control of the chattel paper under  
18 section 554.9105 in good faith, in the ordinary course of the  
19 purchaser's business, and without knowledge that the purchase  
20 violates the rights of the secured party.

21 3. CHATTEL PAPER PURCHASER'S PRIORITY IN PROCEEDS. Except  
22 as otherwise provided in section 554.9327, a purchaser having  
23 priority in chattel paper under subsection 1 or 2 also has  
24 priority in proceeds of the chattel paper to the extent that:

25 a. section 554.9322 provides for priority in the proceeds;  
26 or

27 b. the proceeds consist of the specific goods covered by  
28 the chattel paper or cash proceeds of the specific goods, even  
29 if the purchaser's security interest in the proceeds is  
30 unperfected.

31 4. INSTRUMENT PURCHASER'S PRIORITY. Except as otherwise  
32 provided in section 554.9331, subsection 1, a purchaser of an  
33 instrument has priority over a security interest in the  
34 instrument perfected by a method other than possession if the  
35 purchaser gives value and takes possession of the instrument

1 in good faith and without knowledge that the purchase violates  
2 the rights of the secured party.

3 5. HOLDER OF PURCHASE-MONEY SECURITY INTEREST GIVES NEW  
4 VALUE. For purposes of subsections 1 and 2, the holder of a  
5 purchase-money security interest in inventory gives new value  
6 for chattel paper constituting proceeds of the inventory.

7 6. INDICATION OF ASSIGNMENT GIVES KNOWLEDGE. For purposes  
8 of subsections 2 and 4, if chattel paper or an instrument  
9 indicates that it has been assigned to an identified secured  
10 party other than the purchaser, a purchaser of the chattel  
11 paper or instrument has knowledge that the purchase violates  
12 the rights of the secured party.

13 Sec. 51. NEW SECTION. 554.9331 PRIORITY OF RIGHTS OF  
14 PURCHASERS OF INSTRUMENTS, DOCUMENTS, AND SECURITIES UNDER  
15 OTHER ARTICLES -- PRIORITY OF INTERESTS IN FINANCIAL ASSETS  
16 AND SECURITY ENTITLEMENTS UNDER ARTICLE 8.

17 1. RIGHTS UNDER ARTICLES 3, 7, AND 8 NOT LIMITED. This  
18 Article does not limit the rights of a holder in due course of  
19 a negotiable instrument, a holder to which a negotiable  
20 document of title has been duly negotiated, or a protected  
21 purchaser of a security. These holders or purchasers take  
22 priority over an earlier security interest, even if perfected,  
23 to the extent provided in Articles 3, 7, and 8.

24 2. PROTECTION UNDER ARTICLE 8. This Article does not  
25 limit the rights of or impose liability on a person to the  
26 extent that the person is protected against the assertion of a  
27 claim under Article 8.

28 3. FILING NOT NOTICE. Filing under this Article does not  
29 constitute notice of a claim or defense to the holders, or  
30 purchasers, or persons described in subsections 1 and 2.

31 Sec. 52. NEW SECTION. 554.9332 TRANSFER OF MONEY --  
32 TRANSFER OF FUNDS FROM DEPOSIT ACCOUNT.

33 1. TRANSFEREE OF MONEY. A transferee of money takes the  
34 money free of a security interest unless the transferee acts  
35 in collusion with the debtor in violating the rights of the

1 secured party.

2 2. TRANSFEREE OF FUNDS FROM DEPOSIT ACCOUNT. A transferee  
3 of funds from a deposit account takes the funds free of a  
4 security interest in the deposit account unless the transferee  
5 acts in collusion with the debtor in violating the rights of  
6 the secured party.

7 Sec. 53. NEW SECTION. 554.9333 PRIORITY OF CERTAIN LIENS  
8 ARISING BY OPERATION OF LAW.

9 1. POSSESSORY LIEN. In this section, "possessory lien"  
10 means an interest, other than a security interest or an  
11 agricultural lien:

12 a. which secures payment or performance of an obligation  
13 for services or materials furnished with respect to goods by a  
14 person in the ordinary course of the person's business;

15 b. which is created by statute or rule of law in favor of  
16 the person; and

17 c. whose effectiveness depends on the person's possession  
18 of the goods.

19 2. PRIORITY OF POSSESSORY LIEN. A possessory lien on  
20 goods has priority over a security interest in the goods  
21 unless the lien is created by a statute that expressly  
22 provides otherwise.

23 Sec. 54. NEW SECTION. 554.9334 PRIORITY OF SECURITY  
24 INTERESTS IN FIXTURES AND CROPS.

25 1. SECURITY INTEREST IN FIXTURES UNDER THIS ARTICLE. A  
26 security interest under this Article may be created in goods  
27 that are fixtures or may continue in goods that become  
28 fixtures. A security interest does not exist under this  
29 Article in ordinary building materials incorporated into an  
30 improvement on land.

31 2. SECURITY INTEREST IN FIXTURES UNDER REAL-PROPERTY LAW.  
32 This Article does not prevent creation of an encumbrance upon  
33 fixtures under real property law.

34 3. GENERAL RULE -- SUBORDINATION OF SECURITY INTEREST IN  
35 FIXTURES. In cases not governed by subsections 4 through 8, a



1 security interest in fixtures is subordinate to a conflicting  
2 interest of an encumbrancer or owner of the related real  
3 property other than the debtor.

4 4. FIXTURES PURCHASE-MONEY PRIORITY. Except as otherwise  
5 provided in subsection 8, a perfected security interest in  
6 fixtures has priority over a conflicting interest of an  
7 encumbrancer or owner of the real property if the debtor has  
8 an interest of record in or is in possession of the real  
9 property and:

- 10 a. the security interest is a purchase-money security
- 11 interest;
- 12 b. the interest of the encumbrancer or owner arises before
- 13 the goods become fixtures; and
- 14 c. the security interest is perfected by a fixture filing
- 15 before the goods become fixtures or within twenty days
- 16 thereafter.

17 5. PRIORITY OF SECURITY INTEREST IN FIXTURES OVER  
18 INTERESTS IN REAL PROPERTY. A perfected security interest in  
19 fixtures has priority over a conflicting interest of an  
20 encumbrancer or owner of the real property if:

- 21 a. the debtor has an interest of record in the real
- 22 property or is in possession of the real property and the
- 23 security interest:
  - 24 (1) is perfected by a fixture filing before the interest
  - 25 of the encumbrancer or owner is of record; and
  - 26 (2) has priority over any conflicting interest of a
  - 27 predecessor in title of the encumbrancer or owner;
- 28 b. before the goods become fixtures, the security interest
- 29 is perfected by any method permitted by this Article and the
- 30 fixtures are readily removable:
  - 31 (1) factory or office machines;
  - 32 (2) equipment that is not primarily used or leased for use
  - 33 in the operation of the real property; or
  - 34 (3) replacements of domestic appliances that are consumer
  - 35 goods;

1 c. the conflicting interest is a lien on the real property  
2 obtained by legal or equitable proceedings after the security  
3 interest was perfected by any method permitted by this  
4 Article; or

5 d. the security interest is:

6 (1) created in a manufactured home in a manufactured-home  
7 transaction; and

8 (2) perfected pursuant to a statute described in section  
9 554.9311, subsection 1, paragraph "b".

10 6. PRIORITY BASED ON CONSENT, DISCLAIMER, OR RIGHT TO  
11 REMOVE. A security interest in fixtures, whether or not  
12 perfected, has priority over a conflicting interest of an  
13 encumbrancer or owner of the real property if:

14 a. the encumbrancer or owner has, in an authenticated  
15 record, consented to the security interest or disclaimed an  
16 interest in the goods as fixtures; or

17 b. the debtor has a right to remove the goods as against  
18 the encumbrancer or owner.

19 7. CONTINUATION OF SUBSECTION 6, PARAGRAPH "b", PRIORITY.

20 The priority of the security interest under subsection 6,  
21 paragraph "b", continues for a reasonable time if the debtor's  
22 right to remove the goods as against the encumbrancer or owner  
23 terminates.

24 8. PRIORITY OF CONSTRUCTION MORTGAGE. A mortgage is a  
25 construction mortgage to the extent that it secures an  
26 obligation incurred for the construction of an improvement on  
27 land, including the acquisition cost of the land, if a  
28 recorded record of the mortgage so indicates. Except as  
29 otherwise provided in subsections 5 and 6, a security interest  
30 in fixtures is subordinate to a construction mortgage if a  
31 record of the mortgage is recorded before the goods become  
32 fixtures and the goods become fixtures before the completion  
33 of the construction. A mortgage has this priority to the same  
34 extent as a construction mortgage to the extent that it is  
35 given to refinance a construction mortgage.

1 9. PRIORITY OF SECURITY INTEREST IN CROPS. A perfected  
2 security interest in crops growing on real property has  
3 priority over a conflicting interest of an encumbrancer or  
4 owner of the real property if the debtor has an interest of  
5 record in or is in possession of the real property.

6 10. SUBSECTION 9 PREVAILS. Subsection 9 prevails over any  
7 inconsistent provisions of chapter 570.

8 Sec. 55. NEW SECTION. 554.9335 ACCESSIONS.

9 1. CREATION OF SECURITY INTEREST IN ACCESSION. A security  
10 interest may be created in an accession and continues in  
11 collateral that becomes an accession.

12 2. PERFECTION OF SECURITY INTEREST. If a security  
13 interest is perfected when the collateral becomes an  
14 accession, the security interest remains perfected in the  
15 collateral.

16 3. PRIORITY OF SECURITY INTEREST. Except as otherwise  
17 provided in subsection 4, the other provisions of this part  
18 determine the priority of a security interest in an accession.

19 4. COMPLIANCE WITH CERTIFICATE-OF-TITLE STATUTE. A  
20 security interest in an accession is subordinate to a security  
21 interest in the whole which is perfected by compliance with  
22 the requirements of a certificate-of-title statute under  
23 section 554.9311, subsection 2.

24 5. REMOVAL OF ACCESSION AFTER DEFAULT. After default,  
25 subject to part 6, a secured party may remove an accession  
26 from other goods if the security interest in the accession has  
27 priority over the claims of every person having an interest in  
28 the whole.

29 6. REIMBURSEMENT FOLLOWING REMOVAL. A secured party that  
30 removes an accession from other goods under subsection 5 shall  
31 promptly reimburse any holder of a security interest or other  
32 lien on, or owner of, the whole or of the other goods, other  
33 than the debtor, for the cost of repair of any physical injury  
34 to the whole or the other goods. The secured party need not  
35 reimburse the holder or owner for any diminution in value of

1 the whole or the other goods caused by the absence of the  
2 accession removed or by any necessity for replacing it. A  
3 person entitled to reimbursement may refuse permission to  
4 remove until the secured party gives adequate assurance for  
5 the performance of the obligation to reimburse.

6 Sec. 56. NEW SECTION. 554.9336 COMMINGLED GOODS.

7 1. COMMINGLED GOODS. In this section, "commingled goods"  
8 means goods that are physically united with other goods in  
9 such a manner that their identity is lost in a product or  
10 mass.

11 2. NO SECURITY INTEREST IN COMMINGLED GOODS AS SUCH. A  
12 security interest does not exist in commingled goods as such.  
13 However, a security interest may attach to a product or mass  
14 that results when goods become commingled goods.

15 3. ATTACHMENT OF SECURITY INTEREST TO PRODUCT OR MASS. If  
16 collateral becomes commingled goods, a security interest  
17 attaches to the product or mass.

18 4. PERFECTION OF SECURITY INTEREST. If a security  
19 interest in collateral is perfected before the collateral  
20 becomes commingled goods, the security interest that attaches  
21 to the product or mass under subsection 3 is perfected.

22 5. PRIORITY OF SECURITY INTEREST. Except as otherwise  
23 provided in subsection 6, the other provisions of this part  
24 determine the priority of a security interest that attaches to  
25 the product or mass under subsection 3.

26 6. CONFLICTING SECURITY INTERESTS IN PRODUCT OR MASS. If  
27 more than one security interest attaches to the product or  
28 mass under subsection 3, the following rules determine  
29 priority:

30 a. A security interest that is perfected under subsection  
31 4 has priority over a security interest that is unperfected at  
32 the time the collateral becomes commingled goods.

33 b. If more than one security interest is perfected under  
34 subsection 4, the security interests rank equally in  
35 proportion to the value of the collateral at the time it

1 became commingled goods.

2 Sec. 57. NEW SECTION. 554.9337 PRIORITY OF SECURITY  
3 INTERESTS IN GOODS COVERED BY CERTIFICATE OF TITLE.

4 If, while a security interest in goods is perfected by any  
5 method under the law of another jurisdiction, this state  
6 issues a certificate of title that does not show that the  
7 goods are subject to the security interest or contain a  
8 statement that they may be subject to security interests not  
9 shown on the certificate:

10 1. a buyer of the goods, other than a person in the  
11 business of selling goods of that kind, takes free of the  
12 security interest if the buyer gives value and receives  
13 delivery of the goods after issuance of the certificate and  
14 without knowledge of the security interest; and

15 2. the security interest is subordinate to a conflicting  
16 security interest in the goods that attaches, and is perfected  
17 under section 554.9311, subsection 2, after issuance of the  
18 certificate and without the conflicting secured party's  
19 knowledge of the security interest.

20 Sec. 58. NEW SECTION. 554.9338 PRIORITY OF SECURITY  
21 INTEREST OR AGRICULTURAL LIEN PERFECTED BY FILED FINANCING  
22 STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION.

23 If a security interest or agricultural lien is perfected by  
24 a filed financing statement providing information described in  
25 section 554.9516, subsection 2, paragraph "e", which is  
26 incorrect at the time the financing statement is filed:

27 1. the security interest or agricultural lien is  
28 subordinate to a conflicting perfected security interest in  
29 the collateral to the extent that the holder of the  
30 conflicting security interest gives value in reasonable  
31 reliance upon the incorrect information; and

32 2. a purchaser, other than a secured party, of the  
33 collateral takes free of the security interest or agricultural  
34 lien to the extent that, in reasonable reliance upon the  
35 incorrect information, the purchaser gives value and, in the

1 case of chattel paper, documents, goods, instruments, or a  
2 security certificate, receives delivery of the collateral.

3 Sec. 59. NEW SECTION. 554.9339 PRIORITY SUBJECT TO  
4 SUBORDINATION.

5 This Article does not preclude subordination by agreement  
6 by a person entitled to priority.

7 D. RIGHTS OF BANK

8 Sec. 60. NEW SECTION. 554.9340 EFFECTIVENESS OF RIGHT OF  
9 RECOUPMENT OR SETOFF AGAINST DEPOSIT ACCOUNT.

10 1. EXERCISE OF RECOUPMENT OR SETOFF. Except as otherwise  
11 provided in subsection 3, a bank with which a deposit account  
12 is maintained may exercise any right of recoupment or setoff  
13 against a secured party that holds a security interest in the  
14 deposit account.

15 2. RECOUPMENT OR SETOFF NOT AFFECTED BY SECURITY INTEREST.  
16 Except as otherwise provided in subsection 3, the application  
17 of this Article to a security interest in a deposit account  
18 does not affect a right of recoupment or setoff of the secured  
19 party as to a deposit account maintained with the secured  
20 party.

21 3. WHEN SETOFF INEFFECTIVE. The exercise by a bank of a  
22 setoff against a deposit account is ineffective against a  
23 secured party that holds a security interest in the deposit  
24 account which is perfected by control under section 554.9104,  
25 subsection 1, paragraph "c", if the setoff is based on a claim  
26 against the debtor.

27 Sec. 61. NEW SECTION. 554.9341 BANK'S RIGHTS AND DUTIES  
28 WITH RESPECT TO DEPOSIT ACCOUNT.

29 Except as otherwise provided in section 554.9340,  
30 subsection 3, and unless the bank otherwise agrees in an  
31 authenticated record, a bank's rights and duties with respect  
32 to a deposit account maintained with the bank are not  
33 terminated, suspended, or modified by:

34 1. the creation, attachment, or perfection of a security  
35 interest in the deposit account;

1 2. the bank's knowledge of the security interest; or  
2 3. the bank's receipt of instructions from the secured  
3 party.

4 Sec. 62. NEW SECTION. 554.9342 BANK'S RIGHT TO REFUSE TO  
5 ENTER INTO OR DISCLOSE EXISTENCE OF CONTROL AGREEMENT.

6 This Article does not require a bank to enter into an  
7 agreement of the kind described in section 554.9104,  
8 subsection 1, paragraph "b", even if its customer so requests  
9 or directs. A bank that has entered into such an agreement is  
10 not required to confirm the existence of the agreement to  
11 another person unless requested to do so by its customer.

12 PART 4

13 RIGHTS OF THIRD PARTIES

14 Sec. 63. NEW SECTION. 554.9401 ALIENABILITY OF DEBTOR'S  
15 RIGHTS.

16 1. OTHER LAW GOVERNS ALIENABILITY -- EXCEPTIONS. Except  
17 as otherwise provided in subsection 2 and sections 554.9406,  
18 554.9407, 554.9408, and 554.9409, whether a debtor's rights in  
19 collateral may be voluntarily or involuntarily transferred is  
20 governed by law other than this Article.

21 2. AGREEMENT DOES NOT PREVENT TRANSFER. An agreement  
22 between the debtor and secured party which prohibits a  
23 transfer of the debtor's rights in collateral or makes the  
24 transfer a default does not prevent the transfer from taking  
25 effect.

26 Sec. 64. NEW SECTION. 554.9402 SECURED PARTY NOT  
27 OBLIGATED ON CONTRACT OF DEBTOR OR IN TORT.

28 The existence of a security interest, agricultural lien, or  
29 authority given to a debtor to dispose of or use collateral,  
30 without more, does not subject a secured party to liability in  
31 contract or tort for the debtor's acts or omissions.

32 Sec. 65. NEW SECTION. 554.9403 AGREEMENT NOT TO ASSERT  
33 DEFENSES AGAINST ASSIGNEE.

34 1. VALUE. In this section, "value" has the meaning  
35 provided in section 554.3303, subsection 1.

1        2. AGREEMENT NOT TO ASSERT CLAIM OR DEFENSE. Except as  
2 otherwise provided in this section, an agreement between an  
3 account debtor and an assignor not to assert against an  
4 assignee any claim or defense that the account debtor may have  
5 against the assignor is enforceable by an assignee that takes  
6 an assignment:

7        a. for value;

8        b. in good faith;

9        c. without notice of a claim of a property or possessory  
10 right to the property assigned; and

11       d. without notice of a defense or claim in recoupment of  
12 the type that may be asserted against a person entitled to  
13 enforce a negotiable instrument under section 554.3305,  
14 subsection 1.

15       3. WHEN SUBSECTION 2 NOT APPLICABLE. Subsection 2 does  
16 not apply to defenses of a type that may be asserted against a  
17 holder in due course of a negotiable instrument under section  
18 554.3305, subsection 2.

19       4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION.  
20 In a consumer transaction, if a record evidences the account  
21 debtor's obligation, law other than this Article requires that  
22 the record include a statement to the effect that the rights  
23 of an assignee are subject to claims or defenses that the  
24 account debtor could assert against the original obligee, and  
25 the record does not include such a statement:

26       a. the record has the same effect as if the record  
27 included such a statement; and

28       b. the account debtor may assert against an assignee those  
29 claims and defenses that would have been available if the  
30 record included such a statement.

31       5. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
32 subject to law other than this Article which establishes a  
33 different rule for an account debtor who is an individual and  
34 who incurred the obligation primarily for personal, family, or  
35 household purposes.



1 6. OTHER LAW NOT DISPLACED. Except as otherwise provided  
2 in subsection 4, this section does not displace law other than  
3 this Article which gives effect to an agreement by an account  
4 debtor not to assert a claim or defense against an assignee.

5 Sec. 66. NEW SECTION. 554.9404 RIGHTS ACQUIRED BY  
6 ASSIGNEE -- CLAIMS AND DEFENSES AGAINST ASSIGNEE.

7 1. ASSIGNEE'S RIGHTS SUBJECT TO TERMS, CLAIMS, AND  
8 DEFENSES -- EXCEPTIONS. Unless an account debtor has made an  
9 enforceable agreement not to assert defenses or claims, and  
10 subject to subsections 2 through 5, the rights of an assignee  
11 are subject to:

12 a. all terms of the agreement between the account debtor  
13 and assignor and any defense or claim in recoupment arising  
14 from the transaction that gave rise to the contract; and

15 b. any other defense or claim of the account debtor  
16 against the assignor which accrues before the account debtor  
17 receives a notification of the assignment authenticated by the  
18 assignor or the assignee.

19 2. ACCOUNT DEBTOR'S CLAIM REDUCES AMOUNT OWED TO ASSIGNEE.  
20 Subject to subsection 3 and except as otherwise provided in  
21 subsection 4, the claim of an account debtor against an  
22 assignor may be asserted against an assignee under subsection  
23 1 only to reduce the amount the account debtor owes.

24 3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
25 subject to law other than this Article which establishes a  
26 different rule for an account debtor who is an individual and  
27 who incurred the obligation primarily for personal, family, or  
28 household purposes.

29 4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION.  
30 In a consumer transaction, if a record evidences the account  
31 debtor's obligation, law other than this Article requires that  
32 the record include a statement to the effect that the account  
33 debtor's recovery against an assignee with respect to claims  
34 and defenses against the assignor may not exceed amounts paid  
35 by the account debtor under the record, and the record does

1 not include such a statement, the extent to which a claim of  
2 an account debtor against the assignor may be asserted against  
3 an assignee is determined as if the record included such a  
4 statement.

5 5. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.

6 This section does not apply to an assignment of a health-care-  
7 insurance receivable.

8 Sec. 67. NEW SECTION. 554.9405 MODIFICATION OF ASSIGNED  
9 CONTRACT.

10 1. EFFECT OF MODIFICATION ON ASSIGNEE. A modification of  
11 or substitution for an assigned contract is effective against  
12 an assignee if made in good faith. The assignee acquires  
13 corresponding rights under the modified or substituted  
14 contract. The assignment may provide that the modification or  
15 substitution is a breach of contract by the assignor. This  
16 subsection is subject to subsections 2 through 4.

17 2. APPLICABILITY OF SUBSECTION 1. Subsection 1 applies to  
18 the extent that:

19 a. the right to payment or a part thereof under an  
20 assigned contract has not been fully earned by performance; or

21 b. the right to payment or a part thereof has been fully  
22 earned by performance and the account debtor has not received  
23 notification of the assignment under section 554.9406,  
24 subsection 1.

25 3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
26 subject to law other than this Article which establishes a  
27 different rule for an account debtor who is an individual and  
28 who incurred the obligation primarily for personal, family, or  
29 household purposes.

30 4. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.

31 This section does not apply to an assignment of a health-care-  
32 insurance receivable.

33 Sec. 68. NEW SECTION. 554.9406 DISCHARGE OF ACCOUNT  
34 DEBTOR -- NOTIFICATION OF ASSIGNMENT -- IDENTIFICATION AND  
35 PROOF OF ASSIGNMENT -- RESTRICTIONS ON ASSIGNMENT OF ACCOUNTS,

1 CHATTEL PAPER, PAYMENT INTANGIBLES, AND PROMISSORY NOTES  
2 INEFFECTIVE.

3 1. DISCHARGE OF ACCOUNT DEBTOR -- EFFECT OF NOTIFICATION.

4 Subject to subsections 2 through 9, an account debtor on an  
5 account, chattel paper, or a payment intangible may discharge  
6 its obligation by paying the assignor until, but not after,  
7 the account debtor receives a notification, authenticated by  
8 the assignor or the assignee, that the amount due or to become  
9 due has been assigned and that payment is to be made to the  
10 assignee. After receipt of the notification, the account  
11 debtor may discharge its obligation by paying the assignee and  
12 may not discharge the obligation by paying the assignor.

13 2. WHEN NOTIFICATION INEFFECTIVE. Subject to subsection  
14 8, notification is ineffective under subsection 1:

15 a. if it does not reasonably identify the rights assigned;

16 b. to the extent that an agreement between an account  
17 debtor and a seller of a payment intangible limits the account  
18 debtor's duty to pay a person other than the seller and the  
19 limitation is effective under law other than this Article; or

20 c. at the option of an account debtor, if the notification  
21 notifies the account debtor to make less than the full amount  
22 of any installment or other periodic payment to the assignee,  
23 even if:

24 (1) only a portion of the account, chattel paper, or  
25 general intangible has been assigned to that assignee;

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

27 (3) the account debtor knows that the assignment to that  
28 assignee is limited.

29 3. PROOF OF ASSIGNMENT. Subject to subsection 8, if  
30 requested by the account debtor, an assignee shall seasonably  
31 furnish reasonable proof that the assignment has been made.  
32 Unless the assignee complies, the account debtor may discharge  
33 its obligation by paying the assignor, even if the account  
34 debtor has received a notification under subsection 1.

35 4. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.

1 Except as otherwise provided in subsection 5 and sections  
2 554.9407 and 554.13303, and subject to subsection 8, a term in  
3 an agreement between an account debtor and an assignor or in a  
4 promissory note is ineffective to the extent that it:

5 a. prohibits, restricts, or requires the consent of the  
6 account debtor or person obligated on the promissory note to  
7 the assignment or transfer of, or the creation, attachment,  
8 perfection, or enforcement of a security interest in, the  
9 account, chattel paper, payment intangible, or promissory  
10 note; or

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

17 5. INAPPLICABILITY OF SUBSECTION 4 TO CERTAIN SALES.

18 Subsection 4 does not apply to the sale of a payment  
19 intangible or promissory note.

20 6. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.

21 Except as otherwise provided in sections 554.9407 and  
22 554.13303 and subject to subsections 8 and 9, a rule of law,  
23 statute, or regulation that prohibits, restricts, or requires  
24 the consent of a government, governmental body or official, or  
25 account debtor to the assignment or transfer of, or creation  
26 of a security interest in, an account or chattel paper is  
27 ineffective to the extent that the rule of law, statute, or  
28 regulation:

29 a. prohibits, restricts, or requires the consent of the  
30 government, governmental body or official, or account debtor  
31 to the assignment or transfer of, or the creation, attachment,  
32 perfection, or enforcement of a security interest in the  
33 account or chattel paper; or

34 b. provides that the assignment or transfer or the  
35 creation, attachment, perfection, or enforcement of the

1 security interest may give rise to a default, breach, right of  
2 recoupment, claim, defense, termination, right of termination,  
3 or remedy under the account or chattel paper.

4 7. SUBSECTION 2, PARAGRAPH "C", NOT WAIVABLE. Subject to  
5 subsection 8, an account debtor may not waive or vary its  
6 option under subsection 2, paragraph "c".

7 8. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
8 subject to law other than this Article which establishes a  
9 different rule for an account debtor who is an individual and  
10 who incurred the obligation primarily for personal, family, or  
11 household purposes.

12 9. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.  
13 This section does not apply to an assignment of a health-care-  
14 insurance receivable.

15 10. SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW.  
16 This section prevails over any inconsistent provision of an  
17 existing or future statute, rule, or regulation of this state  
18 unless the provision is contained in a statute of this state,  
19 refers expressly to this section, and states that the  
20 provision prevails over this section.

21 Sec. 69. NEW SECTION. 554.9407 RESTRICTIONS ON CREATION  
22 OR ENFORCEMENT OF SECURITY INTEREST IN LEASEHOLD INTEREST OR  
23 IN LESSOR'S RESIDUAL INTEREST.

24 1. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.  
25 Except as otherwise provided in subsection 2, a term in a  
26 lease agreement is ineffective to the extent that it:

27 a. prohibits, restricts, or requires the consent of a  
28 party to the lease to the assignment or transfer of, or the  
29 creation, attachment, perfection, or enforcement of a security  
30 interest in, an interest of a party under the lease contract  
31 or in the lessor's residual interest in the goods; or

32 b. provides that the assignment or transfer or the  
33 creation, attachment, perfection, or enforcement of the  
34 security interest may give rise to a default, breach, right of  
35 recoupment, claim, defense, termination, right of termination,

1 or remedy under the lease.

2 2. EFFECTIVENESS OF CERTAIN TERMS. Except as otherwise  
3 provided in section 554.13303, subsection 7, a term described  
4 in subsection 1, paragraph "b", is effective to the extent  
5 that there is:

6 a. a transfer by the lessee of the lessee's right of  
7 possession or use of the goods in violation of the term; or

8 b. a delegation of a material performance of either party  
9 to the lease contract in violation of the term.

10 3. SECURITY INTEREST NOT MATERIAL IMPAIRMENT. The  
11 creation, attachment, perfection, or enforcement of a security  
12 interest in the lessor's interest under the lease contract or  
13 the lessor's residual interest in the goods is not a transfer  
14 that materially impairs the lessee's prospect of obtaining  
15 return performance or materially changes the duty of or  
16 materially increases the burden or risk imposed on the lessee  
17 within the purview of section 554.13303, subsection 3, unless,  
18 and then only to the extent that, enforcement actually results  
19 in a delegation of material performance of the lessor.

20 Sec. 70. NEW SECTION. 554.9408 RESTRICTIONS ON  
21 ASSIGNMENT OF PROMISSORY NOTES, HEALTH-CARE-INSURANCE  
22 RECEIVABLES, AND CERTAIN GENERAL INTANGIBLES INEFFECTIVE.

23 1. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.  
24 Except as otherwise provided in subsection 2, a term in a  
25 promissory note or in an agreement between an account debtor  
26 and a debtor which relates to a health-care-insurance  
27 receivable or a general intangible, including a contract,  
28 permit, license, or franchise, and which term prohibits,  
29 restricts, or requires the consent of the person obligated on  
30 the promissory note or the account debtor to, the assignment  
31 or transfer of, or creation, attachment, or perfection of a  
32 security interest in, the promissory note, health-care-  
33 insurance receivable, or general intangible, is ineffective to  
34 the extent that the term:

35 a. would impair the creation, attachment, or perfection of

1 a security interest; or  
 2 b. provides that the assignment or transfer or the  
 3 creation, attachment, or perfection of the security interest  
 4 may give rise to a default, breach, right of recoupment,  
 5 claim, defense, termination, right of termination, or remedy  
 6 under the promissory note, health-care-insurance receivable,  
 7 or general intangible.

8 2. APPLICABILITY OF SUBSECTION 1 TO SALES OF CERTAIN  
 9 RIGHTS TO PAYMENT. Subsection 1 applies to a security  
 10 interest in a payment intangible or promissory note only if  
 11 the security interest arises out of a sale of the payment  
 12 intangible or promissory note.

13 3. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.  
 14 A rule of law, statute, or regulation that prohibits,  
 15 restricts, or requires the consent of a government,  
 16 governmental body or official, person obligated on a  
 17 promissory note, or account debtor to the assignment or  
 18 transfer of, or creation of a security interest in, a  
 19 promissory note, health-care-insurance receivable, or general  
 20 intangible, including a contract, permit, license, or  
 21 franchise between an account debtor and a debtor, is  
 22 ineffective to the extent that the rule of law, statute, or  
 23 regulation:

24 a. would impair the creation, attachment, or perfection of  
 25 a security interest; or

26 b. provides that the assignment or transfer or the  
 27 creation, attachment, or perfection of the security interest  
 28 may give rise to a default, breach, right of recoupment,  
 29 claim, defense, termination, right of termination, or remedy  
 30 under the promissory note, health-care-insurance receivable,  
 31 or general intangible.

32 4. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTIONS 1 AND  
 33 3. To the extent that a term in a promissory note or in an  
 34 agreement between an account debtor and a debtor which relates  
 35 to a health-care-insurance receivable or general intangible or

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

6 a. is not enforceable against the person obligated on the  
7 promissory note or the account debtor;

8 b. does not impose a duty or obligation on the person  
9 obligated on the promissory note or the account debtor;

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

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

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

24 f. does not entitle the secured party to enforce the  
25 security interest in the promissory note, health-care-  
26 insurance receivable, or general intangible.

27 5. SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW. This  
28 section prevails over any inconsistent provision of an  
29 existing or future statute, rule, or regulation of this state  
30 unless the provision is contained in a statute of this state,  
31 refers expressly to this section, and states that the  
32 provision prevails over this section.

33 Sec. 71. NEW SECTION. 554.9409 RESTRICTIONS ON  
34 ASSIGNMENT OF LETTER-OF-CREDIT RIGHTS INEFFECTIVE.

35 1. TERM OR LAW RESTRICTING ASSIGNMENT GENERALLY



1 INEFFECTIVE. A term in a letter of credit or a rule of law,  
 2 statute, regulation, custom, or practice applicable to the  
 3 letter of credit which prohibits, restricts, or requires the  
 4 consent of an applicant, issuer, or nominated person to a  
 5 beneficiary's assignment of or creation of a security interest  
 6 in a letter-of-credit right is ineffective to the extent that  
 7 the term or rule of law, statute, regulation, custom, or  
 8 practice:

9 a. would impair the creation, attachment, or perfection of  
 10 a security interest in the letter-of-credit right; or

11 b. provides that the assignment or the creation,  
 12 attachment, or perfection of the security interest may give  
 13 rise to a default, breach, right of recoupment, claim,  
 14 defense, termination, right of termination, or remedy under  
 15 the letter-of-credit right.

16 2. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTION 1. To  
 17 the extent that a term in a letter of credit is ineffective  
 18 under subsection 1 but would be effective under law other than  
 19 this Article or a custom or practice applicable to the letter  
 20 of credit, to the transfer of a right to draw or otherwise  
 21 demand performance under the letter of credit, or to the  
 22 assignment of a right to proceeds of the letter of credit, the  
 23 creation, attachment, or perfection of a security interest in  
 24 the letter-of-credit right:

25 a. is not enforceable against the applicant, issuer,  
 26 nominated person, or transferee beneficiary;

27 b. imposes no duties or obligations on the applicant,  
 28 issuer, nominated person, or transferee beneficiary; and

29 c. does not require the applicant, issuer, nominated  
 30 person, or transferee beneficiary to recognize the security  
 31 interest, pay or render performance to the secured party, or  
 32 accept payment or other performance from the secured party.

33  
 34  
 35

PART 5  
 FILING

A. FILING OFFICE -- CONTENTS AND

1 EFFECTIVENESS OF FINANCING STATEMENT

2 Sec. 72. NEW SECTION. 554.9501 FILING OFFICE.

3 1. FILING OFFICES. Except as otherwise provided in  
4 subsection 2, if the local law of this state governs  
5 perfection of a security interest or agricultural lien, the  
6 office in which to file a financing statement to perfect the  
7 security interest or agricultural lien is:

8 a. the office designated for the filing or recording of a  
9 record of a mortgage on the related real property, if:

10 (1) the collateral is as-extracted collateral or timber to  
11 be cut; or

12 (2) the financing statement is filed as a fixture filing  
13 and the collateral is goods that are or are to become  
14 fixtures; or

15 b. the office of the secretary of state or any office duly  
16 authorized by the office of secretary of state, in all other  
17 cases, including a case in which the collateral is goods that  
18 are or are to become fixtures and the financing statement is  
19 not filed as a fixture filing.

20 2. FILING OFFICE FOR TRANSMITTING UTILITIES. The office  
21 in which to file a financing statement to perfect a security  
22 interest in collateral, including fixtures, of a transmitting  
23 utility is the office of the secretary of state. The  
24 financing statement also constitutes a fixture filing as to  
25 the collateral indicated in the financing statement which is  
26 or is to become fixtures.

27 Sec. 73. NEW SECTION. 554.9502 CONTENTS OF FINANCING  
28 STATEMENT -- RECORD OF MORTGAGE AS FINANCING STATEMENT -- TIME  
29 OF FILING FINANCING STATEMENT.

30 1. SUFFICIENCY OF FINANCING STATEMENT. Subject to  
31 subsection 2, a financing statement is sufficient only if it:

32 a. provides the name of the debtor;

33 b. provides the name of the secured party or a  
34 representative of the secured party; and

35 c. indicates the collateral covered by the financing

1 statement.

2 2. REAL-PROPERTY-RELATED FINANCING STATEMENTS. Except as  
3 otherwise provided in section 554.9501, subsection 2, to be  
4 sufficient, a financing statement that covers as-extracted  
5 collateral or timber to be cut, or which is filed as a fixture  
6 filing and covers goods that are or are to become fixtures,  
7 must satisfy subsection 1 and also:

8 a. indicate that it covers this type of collateral;

9 b. indicate that it is to be filed for record in the real  
10 property records;

11 c. provide a description of the real property to which the  
12 collateral is related sufficient to give constructive notice  
13 of a mortgage under the law of this state if the description  
14 were contained in a record of the mortgage of the real  
15 property; and

16 d. if the debtor does not have an interest of record in  
17 the real property, provide the name of a record owner.

18 3. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of  
19 a mortgage is effective, from the date of recording, as a  
20 financing statement filed as a fixture filing or as a  
21 financing statement covering as-extracted collateral or timber  
22 to be cut only if:

23 a. the record indicates the goods or accounts that it  
24 covers;

25 b. the goods are or are to become fixtures related to the  
26 real property described in the record or the collateral is  
27 related to the real property described in the record and is  
28 as-extracted collateral or timber to be cut;

29 c. the record satisfies the requirements for a financing  
30 statement in this section other than an indication that it is  
31 to be filed in the real property records; and

32 d. the record is duly recorded.

33 4. FILING BEFORE SECURITY AGREEMENT OR ATTACHMENT. A  
34 financing statement may be filed before a security agreement  
35 is made or a security interest otherwise attaches.

1     Sec. 74. NEW SECTION. 554.9503 NAME OF DEBTOR AND  
2 SECURED PARTY.

3     1. SUFFICIENCY OF DEBTOR'S NAME. A financing statement  
4 sufficiently provides the name of the debtor:

5     a. if the debtor is a registered organization, only if the  
6 financing statement provides the name of the debtor indicated  
7 on the public record of the debtor's jurisdiction of

8 organization which shows the debtor to have been organized;

9     b. if the debtor is a decedent's estate, only if the  
10 financing statement provides the name of the decedent and  
11 indicates that the debtor is an estate;

12     c. if the debtor is a trust or a trustee acting with  
13 respect to property held in trust, only if the financing  
14 statement:

15     (1) provides the name specified for the trust in its  
16 organic documents or, if no name is specified, provides the  
17 name of the settlor and additional information sufficient to  
18 distinguish the debtor from other trusts having one or more of  
19 the same settlors; and

20     (2) indicates, in the debtor's name or otherwise, that the  
21 debtor is a trust or is a trustee acting with respect to  
22 property held in trust; and

23     d. in other cases:

24     (1) if the debtor has a name, only if it provides the  
25 individual or organizational name of the debtor; and

26     (2) if the debtor does not have a name, only if it  
27 provides the names of the partners, members, associates, or  
28 other persons comprising the debtor.

29     2. ADDITIONAL DEBTOR-RELATED INFORMATION. A financing  
30 statement that provides the name of the debtor in accordance  
31 with subsection 1 is not rendered ineffective by the absence  
32 of:

33     a. a trade name or other name of the debtor; or

34     b. unless required under subsection 1, paragraph "d",  
35 subparagraph (2), names of partners, members, associates, or

1 other persons comprising the debtor.

2 3. DEBTOR'S TRADE NAME INSUFFICIENT. A financing  
3 statement that provides only the debtor's trade name does not  
4 sufficiently provide the name of the debtor.

5 4. REPRESENTATIVE CAPACITY. Failure to indicate the  
6 representative capacity of a secured party or representative  
7 of a secured party does not affect the sufficiency of a  
8 financing statement.

9 5. MULTIPLE DEBTORS AND SECURED PARTIES. A financing  
10 statement may provide the name of more than one debtor and the  
11 name of more than one secured party.

12 Sec. 75. NEW SECTION. 554.9504 INDICATION OF COLLATERAL.  
13 A financing statement sufficiently indicates the collateral  
14 that it covers if the financing statement provides:

15 1. a description of the collateral pursuant to section  
16 554.9108; or

17 2. an indication that the financing statement covers all  
18 assets or all personal property.

19 Sec. 76. NEW SECTION. 554.9505 FILING AND COMPLIANCE  
20 WITH OTHER STATUTES AND TREATIES FOR CONSIGNMENTS, LEASES,  
21 OTHER BAILMENTS, AND OTHER TRANSACTIONS.

22 1. USE OF TERMS OTHER THAN DEBTOR AND SECURED PARTY. A  
23 consignor, lessor, or other bailor of goods, a licensor, or a  
24 buyer of a payment intangible or promissory note may file a  
25 financing statement, or may comply with a statute or treaty  
26 described in section 554.9311, subsection 1, using the terms  
27 "consignor", "consignee", "lessor", "lessee", "bailor",  
28 "bailee", "licensor", "licensee", "owner", "registered owner",  
29 "buyer", "seller", or words of similar import, instead of the  
30 terms "secured party" and "debtor".

31 2. EFFECT OF FINANCING STATEMENT UNDER SUBSECTION 1. This  
32 part applies to the filing of a financing statement under  
33 subsection 1 and, as appropriate, to compliance that is  
34 equivalent to filing a financing statement under section  
35 554.9311, subsection 2, but the filing or compliance is not of

1 itself a factor in determining whether the collateral secures  
2 an obligation. If it is determined for another reason that  
3 the collateral secures an obligation, a security interest held  
4 by the consignor, lessor, bailor, licensor, owner, or buyer  
5 which attaches to the collateral is perfected by the filing or  
6 compliance.

7 Sec. 77. NEW SECTION. 554.9506 EFFECT OF ERRORS OR  
8 OMISSIONS.

9 1. MINOR ERRORS AND OMISSIONS. A financing statement  
10 substantially satisfying the requirements of this part is  
11 effective, even if it has minor errors or omissions, unless  
12 the errors or omissions make the financing statement seriously  
13 misleading.

14 2. FINANCING STATEMENT SERIOUSLY MISLEADING. Except as  
15 otherwise provided in subsection 3, a financing statement that  
16 fails sufficiently to provide the name of the debtor in  
17 accordance with section 554.9503, subsection 1, is seriously  
18 misleading.

19 3. FINANCING STATEMENT NOT SERIOUSLY MISLEADING. If a  
20 search of the records of the filing office under the debtor's  
21 correct name, using the filing office's standard search logic,  
22 if any, would disclose a financing statement that fails  
23 sufficiently to provide the name of the debtor in accordance  
24 with section 554.9503, subsection 1, the name provided does  
25 not make the financing statement seriously misleading.

26 4. DEBTOR'S CORRECT NAME. For purposes of section  
27 554.9508, subsection 2, the "debtor's correct name" in  
28 subsection 3 means the correct name of the new debtor.

29 Sec. 78. NEW SECTION. 554.9507 EFFECT OF CERTAIN EVENTS  
30 ON EFFECTIVENESS OF FINANCING STATEMENT.

31 1. DISPOSITION. A filed financing statement remains  
32 effective with respect to collateral that is sold, exchanged,  
33 leased, licensed, or otherwise disposed of and in which a  
34 security interest or agricultural lien continues, even if the  
35 secured party knows of or consents to the disposition.

1 2. INFORMATION BECOMING SERIOUSLY MISLEADING. Except as  
2 otherwise provided in subsection 3 and section 554.9508, a  
3 financing statement is not rendered ineffective if, after the  
4 financing statement is filed, the information provided in the  
5 financing statement becomes seriously misleading under section  
6 554.9506.

7 3. CHANGE IN DEBTOR'S NAME. If a debtor so changes its  
8 name that a filed financing statement becomes seriously  
9 misleading under section 554.9506:

10 a. the financing statement is effective to perfect a  
11 security interest in collateral acquired by the debtor before,  
12 or within four months after, the change; and

13 b. the financing statement is not effective to perfect a  
14 security interest in collateral acquired by the debtor more  
15 than four months after the change, unless an amendment to the  
16 financing statement which renders the financing statement not  
17 seriously misleading is filed within four months after the  
18 change.

19 Sec. 79. NEW SECTION. 554.9508 EFFECTIVENESS OF  
20 FINANCING STATEMENT IF NEW DEBTOR BECOMES BOUND BY SECURITY  
21 AGREEMENT.

22 1. FINANCING STATEMENT NAMING ORIGINAL DEBTOR. Except as  
23 otherwise provided in this section, a filed financing  
24 statement naming an original debtor is effective to perfect a  
25 security interest in collateral in which a new debtor has or  
26 acquires rights to the extent that the financing statement  
27 would have been effective had the original debtor acquired  
28 rights in the collateral.

29 2. FINANCING STATEMENT BECOMING SERIOUSLY MISLEADING. If  
30 the difference between the name of the original debtor and  
31 that of the new debtor causes a filed financing statement that  
32 is effective under subsection 1 to be seriously misleading  
33 under section 554.9506:

34 a. the financing statement is effective to perfect a  
35 security interest in collateral acquired by the new debtor

1 before, and within four months after, the new debtor becomes  
2 bound under section 554.9203, subsection 4; and

3 b. the financing statement is not effective to perfect a  
4 security interest in collateral acquired by the new debtor  
5 more than four months after the new debtor becomes bound under  
6 section 554.9203, subsection 4, unless an initial financing  
7 statement providing the name of the new debtor is filed before  
8 the expiration of that time.

9 3. WHEN SECTION NOT APPLICABLE. This section does not  
10 apply to collateral as to which a filed financing statement  
11 remains effective against the new debtor under section  
12 554.9507, subsection 1.

13 Sec. 80. NEW SECTION. 554.9509 PERSONS ENTITLED TO FILE  
14 A RECORD.

15 1. PERSON ENTITLED TO FILE RECORD. A person may file an  
16 initial financing statement, amendment that adds collateral  
17 covered by a financing statement, or amendment that adds a  
18 debtor to a financing statement only if:

19 a. the debtor authorizes the filing in an authenticated  
20 record; or

21 b. the person holds an agricultural lien that has become  
22 effective at the time of filing and the financing statement  
23 covers only collateral in which the person holds an  
24 agricultural lien.

25 2. SECURITY AGREEMENT AS AUTHORIZATION. By authenticating  
26 or becoming bound as debtor by a security agreement, a debtor  
27 or new debtor authorizes the filing of an initial financing  
28 statement, and an amendment, covering:

29 a. the collateral described in the security agreement; and

30 b. property that becomes collateral under section  
31 554.9315, subsection 1, paragraph "b", whether or not the  
32 security agreement expressly covers proceeds.

33 3. ACQUISITION OF COLLATERAL AS AUTHORIZATION. By  
34 acquiring collateral in which a security interest or  
35 agricultural lien continues under section 554.9315, subsection



1 1, paragraph "a", a debtor authorizes the filing of an initial  
2 financing statement, and an amendment, covering the collateral  
3 and property that becomes collateral under section 554.9315,  
4 subsection 1, paragraph "b".

5 4. PERSON ENTITLED TO FILE CERTAIN AMENDMENTS. A person  
6 may file an amendment other than an amendment that adds  
7 collateral covered by a financing statement or an amendment  
8 that adds a debtor to a financing statement only if:

- 9 a. the secured party of record authorizes the filing; or
- 10 b. the amendment is a termination statement for a
- 11 financing statement as to which the secured party of record
- 12 has failed to file or send a termination statement as required
- 13 by section 554.9513, subsection 1 or 3, the debtor authorizes
- 14 the filing, and the termination statement indicates that the
- 15 debtor authorized it to be filed.

16 5. MULTIPLE SECURED PARTIES OF RECORD. If there is more  
17 than one secured party of record for a financing statement,  
18 each secured party of record may authorize the filing of an  
19 amendment under subsection 4.

20 Sec. 81. NEW SECTION. 554.9510 EFFECTIVENESS OF FILED  
21 RECORD.

22 1. FILED RECORD EFFECTIVE IF AUTHORIZED. A filed record  
23 is effective only to the extent that it was filed by a person  
24 that may file it under section 554.9509.

25 2. AUTHORIZATION BY ONE SECURED PARTY OF RECORD. A record  
26 authorized by one secured party of record does not affect the  
27 financing statement with respect to another secured party of  
28 record.

29 3. CONTINUATION STATEMENT NOT TIMELY FILED. A  
30 continuation statement that is not filed within the six-month  
31 period prescribed by section 554.9515, subsection 4, is  
32 ineffective.

33 Sec. 82. NEW SECTION. 554.9511 SECURED PARTY OF RECORD.

34 1. SECURED PARTY OF RECORD. A secured party of record  
35 with respect to a financing statement is a person whose name

1 is provided as the name of the secured party or a  
2 representative of the secured party in an initial financing  
3 statement that has been filed. If an initial financing  
4 statement is filed under section 554.9514, subsection 1, the  
5 assignee named in the initial financing statement is the  
6 secured party of record with respect to the financing  
7 statement.

8 2. AMENDMENT NAMING SECURED PARTY OF RECORD. If an  
9 amendment of a financing statement which provides the name of  
10 a person as a secured party or a representative of a secured  
11 party is filed, the person named in the amendment is a secured  
12 party of record. If an amendment is filed under section  
13 554.9514, subsection 2, the assignee named in the amendment is  
14 a secured party of record.

15 3. AMENDMENT DELETING SECURED PARTY OF RECORD. A person  
16 remains a secured party of record until the filing of an  
17 amendment of the financing statement which deletes the person.

18 Sec. 83. NEW SECTION. 554.9512 AMENDMENT OF FINANCING  
19 STATEMENT.

20 1. AMENDMENT OF INFORMATION IN FINANCING STATEMENT.  
21 Subject to section 554.9509, a person may add or delete  
22 collateral covered by, continue or terminate the effectiveness  
23 of, or, subject to subsection 5, otherwise amend the  
24 information provided in, a financing statement by filing an  
25 amendment that:

26 a. identifies, by its file number, the initial financing  
27 statement to which the amendment relates; and

28 b. if the amendment relates to an initial financing  
29 statement filed or recorded in a filing office described in  
30 section 554.9501, subsection 1, paragraph "a", provides the  
31 date and time that the initial financing statement was filed  
32 or recorded and the information specified in section 554.9502,  
33 subsection 2.

34 2. PERIOD OF EFFECTIVENESS NOT AFFECTED. Except as  
35 otherwise provided in section 554.9515, the filing of an

1 amendment does not extend the period of effectiveness of the  
2 financing statement.

3 3. EFFECTIVENESS OF AMENDMENT ADDING COLLATERAL. A  
4 financing statement that is amended by an amendment that adds  
5 collateral is effective as to the added collateral only from  
6 the date of the filing of the amendment.

7 4. EFFECTIVENESS OF AMENDMENT ADDING DEBTOR. A financing  
8 statement that is amended by an amendment that adds a debtor  
9 is effective as to the added debtor only from the date of the  
10 filing of the amendment.

11 5. CERTAIN AMENDMENTS INEFFECTIVE. An amendment is  
12 ineffective to the extent it:

13 a. purports to delete all debtors and fails to provide the  
14 name of a debtor to be covered by the financing statement; or

15 b. purports to delete all secured parties of record and  
16 fails to provide the name of a new secured party of record.

17 Sec. 84. NEW SECTION. 554.9513 TERMINATION STATEMENT.

18 1. CONSUMER GOODS. A secured party shall cause the  
19 secured party of record for a financing statement to file a  
20 termination statement for the financing statement if the  
21 financing statement covers consumer goods and:

22 a. there is no obligation secured by the collateral  
23 covered by the financing statement and no commitment to make  
24 an advance, incur an obligation, or otherwise give value; or

25 b. the debtor did not authorize the filing of the initial  
26 financing statement.

27 2. TIME FOR COMPLIANCE WITH SUBSECTION 1. To comply with  
28 subsection 1, a secured party shall cause the secured party of  
29 record to file the termination statement:

30 a. within one month after there is no obligation secured  
31 by the collateral covered by the financing statement and no  
32 commitment to make an advance, incur an obligation, or  
33 otherwise give value; or

34 b. if earlier, within twenty days after the secured party  
35 receives an authenticated demand from a debtor.

1 3. OTHER COLLATERAL. In cases not governed by subsection  
2 1, within twenty days after a secured party receives an  
3 authenticated demand from a debtor, the secured party shall  
4 cause the secured party of record for a financing statement to  
5 send to the debtor a termination statement for the financing  
6 statement or file the termination statement in the filing  
7 office if:

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

14 b. the financing statement covers accounts or chattel  
15 paper that has been sold but as to which the account debtor or  
16 other person obligated has discharged its obligation;

17 c. the financing statement covers goods that were the  
18 subject of a consignment to the debtor but are not in the  
19 debtor's possession; or

20 d. the debtor did not authorize the filing of the initial  
21 financing statement.

22 4. EFFECT OF FILING TERMINATION STATEMENT. Except as  
23 otherwise provided in section 554.9510, upon the filing of a  
24 termination statement with the filing office, the financing  
25 statement to which the termination statement relates ceases to  
26 be effective.

27 Sec. 85. NEW SECTION. 554.9514 ASSIGNMENT OF POWERS OF  
28 SECURED PARTY OF RECORD.

29 1. ASSIGNMENT REFLECTED ON INITIAL FINANCING STATEMENT.  
30 Except as otherwise provided in subsection 3, an initial  
31 financing statement may reflect an assignment of all of the  
32 secured party's power to authorize an amendment to the  
33 financing statement by providing the name and mailing address  
34 of the assignee as the name and address of the secured party.

35 2. ASSIGNMENT OF FILED FINANCING STATEMENT. Except as

1 otherwise provided in subsection 3, a secured party of record  
2 may assign of record all or part of its power to authorize an  
3 amendment to a financing statement by filing in the filing  
4 office an amendment of the financing statement which:

5 a. identifies, by its file number, the initial financing  
6 statement to which it relates;

7 b. provides the name of the assignor; and

8 c. provides the name and mailing address of the assignee.

9 3. ASSIGNMENT OF RECORD OF MORTGAGE. An assignment of  
10 record of a security interest in a fixture covered by a record  
11 of a mortgage which is effective as a financing statement  
12 filed as a fixture filing under section 554.9502, subsection  
13 3, may be made only by an assignment of record of the mortgage  
14 in the manner provided by law of this state other than this  
15 chapter.

16 Sec. 86. NEW SECTION. 554.9515 DURATION AND  
17 EFFECTIVENESS OF FINANCING STATEMENT -- EFFECT OF LAPSED  
18 FINANCING STATEMENT.

19 1. FIVE-YEAR EFFECTIVENESS. Except as otherwise provided  
20 in subsections 2, 5, 6, and 7, a filed financing statement is  
21 effective for a period of five years after the date of filing.

22 2. PUBLIC-FINANCE OR MANUFACTURED-HOME TRANSACTION.  
23 Except as otherwise provided in subsections 5, 6, and 7, an  
24 initial financing statement filed in connection with a public-  
25 finance transaction or manufactured-home transaction is  
26 effective for a period of thirty years after the date of  
27 filing if it indicates that it is filed in connection with a  
28 public-finance transaction or manufactured-home transaction.

29 3. LAPSE AND CONTINUATION OF FINANCING STATEMENT. The  
30 effectiveness of a filed financing statement lapses on the  
31 expiration of the period of its effectiveness unless before  
32 the lapse a continuation statement is filed pursuant to  
33 subsection 4. Upon lapse, a financing statement ceases to be  
34 effective and any security interest or agricultural lien that  
35 was perfected by the financing statement becomes unperfected,

1 unless the security interest is perfected otherwise. If the  
2 security interest or agricultural lien becomes unperfected  
3 upon lapse, it is deemed never to have been perfected as  
4 against a purchaser of the collateral for value.

5 4. WHEN CONTINUATION STATEMENT MAY BE FILED. A  
6 continuation statement may be filed only within six months  
7 before the expiration of the five-year period specified in  
8 subsection 1 or the thirty-year period specified in subsection  
9 2, whichever is applicable.

10 5. EFFECT OF FILING CONTINUATION STATEMENT. Except as  
11 otherwise provided in section 554.9510, upon timely filing of  
12 a continuation statement, the effectiveness of the initial  
13 financing statement continues for a period of five years  
14 commencing on the day on which the financing statement would  
15 have become ineffective in the absence of the filing. Upon  
16 the expiration of the five-year period, the financing  
17 statement lapses in the same manner as provided in subsection  
18 3, unless, before the lapse, another continuation statement is  
19 filed pursuant to subsection 4. Succeeding continuation  
20 statements may be filed in the same manner to continue the  
21 effectiveness of the initial financing statement.

22 6. TRANSMITTING UTILITY FINANCING STATEMENT. If a debtor  
23 is a transmitting utility and a filed financing statement so  
24 indicates, the financing statement is effective until a  
25 termination statement is filed.

26 7. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of  
27 a mortgage that is effective as a financing statement filed as  
28 a fixture filing under section 554.9502, subsection 3, remains  
29 effective as a financing statement filed as a fixture filing  
30 until the mortgage is released or satisfied of record or its  
31 effectiveness otherwise terminates as to the real property.

32 Sec. 87. NEW SECTION. 554.9516 WHAT CONSTITUTES FILING  
33 -- EFFECTIVENESS OF FILING.

34 1. WHAT CONSTITUTES FILING. Except as otherwise provided  
35 in subsection 2, communication of a record to a filing office

1 and tender of the filing fee or acceptance of the record by  
2 the filing office constitutes filing.

3 2. REFUSAL TO ACCEPT RECORD -- FILING DOES NOT OCCUR.

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

6 a. the record is not communicated by a method or medium of  
7 communication authorized by the filing office;

8 b. an amount equal to or greater than the applicable  
9 filing fee is not tendered;

10 c. the filing office is unable to index the record  
11 because:

12 (1) in the case of an initial financing statement, the  
13 record does not provide a name for the debtor;

14 (2) in the case of an amendment or correction statement,  
15 the record:

16 (a) does not identify the initial financing statement as  
17 required by section 554.9512 or 554.9518, as applicable; or

18 (b) identifies an initial financing statement whose  
19 effectiveness has lapsed under section 554.9515;

20 (3) in the case of an initial financing statement that  
21 provides the name of a debtor identified as an individual or  
22 an amendment that provides a name of a debtor identified as an  
23 individual which was not previously provided in the financing  
24 statement to which the record relates, the record does not  
25 identify the debtor's last name; or

26 (4) in the case of a record filed or recorded in the  
27 filing office described in section 554.9501, subsection 1,  
28 paragraph "a", the record does not provide a sufficient  
29 description of the real property to which it relates;

30 d. in the case of an initial financing statement or an  
31 amendment that adds a secured party of record, the record does  
32 not provide a name and mailing address for the secured party  
33 of record;

34 e. in the case of an initial financing statement or an  
35 amendment that provides a name of a debtor which was not

1 previously provided in the financing statement to which the  
2 amendment relates, the record does not:

3 (1) provide a mailing address for the debtor;

4 (2) indicate whether the debtor is an individual or an  
5 organization; or

6 (3) if the financing statement indicates that the debtor  
7 is an organization, provide:

8 (a) a type of organization for the debtor;

9 (b) a jurisdiction of organization for the debtor; or

10 (c) an organizational identification number for the debtor  
11 or indicate that the debtor has none;

12 f. in the case of an assignment reflected in an initial  
13 financing statement under section 554.9514, subsection 1, or  
14 an amendment filed under section 554.9514, subsection 2, the  
15 record does not provide a name and mailing address for the  
16 assignee; or

17 g. in the case of a continuation statement, the record is  
18 not filed within the six-month period prescribed by section  
19 554.9515, subsection 4.

20 3. RULES APPLICABLE TO SUBSECTION 2. For purposes of  
21 subsection 2:

22 a. a record does not provide information if the filing  
23 office is unable to read or decipher the information; and

24 b. a record that does not indicate that it is an amendment  
25 or identify an initial financing statement to which it  
26 relates, as required by section 554.9512, 554.9514, or  
27 554.9518, is an initial financing statement.

28 4. REFUSAL TO ACCEPT RECORD -- RECORD EFFECTIVE AS FILED  
29 RECORD. A record that is communicated to the filing office  
30 with tender of the filing fee, but which the filing office  
31 refuses to accept for a reason other than one set forth in  
32 subsection 2, is effective as a filed record except as against  
33 a purchaser of the collateral which gives value in reasonable  
34 reliance upon the absence of the record from the files.

35 Sec. 88. NEW SECTION. 554.9517 EFFECT OF INDEXING



1 ERRORS.

2 The failure of the filing office to index a record  
3 correctly does not affect the effectiveness of the filed  
4 record.

5 Sec. 89. NEW SECTION. 554.9518 CLAIM CONCERNING  
6 INACCURATE OR WRONGFULLY FILED RECORD.

7 1. CORRECTION STATEMENT. A person may file in the filing  
8 office a correction statement with respect to a record indexed  
9 there under the person's name if the person believes that the  
10 record is inaccurate or was wrongfully filed.

11 2. SUFFICIENCY OF CORRECTION STATEMENT. A correction  
12 statement must:

13 a. identify the record to which it relates by:

14 (1) the file number assigned to the initial financing  
15 statement to which the record relates; and

16 (2) if the correction statement relates to a record filed  
17 or recorded in a filing office described in section 554.9501,  
18 subsection 1, paragraph "a", the date and time that the  
19 initial financing statement was filed or recorded and the  
20 information specified in section 554.9502, subsection 2;

21 b. indicate that it is a correction statement; and

22 c. provide the basis for the person's belief that the  
23 record is inaccurate and indicate the manner in which the  
24 person believes the record should be amended to cure any  
25 inaccuracy or provide the basis for the person's belief that  
26 the record was wrongfully filed.

27 3. RECORD NOT AFFECTED BY CORRECTION STATEMENT. The  
28 filing of a correction statement does not affect the  
29 effectiveness of an initial financing statement or other filed  
30 record.

31 B. DUTIES AND OPERATION OF FILING OFFICE

32 Sec. 90. NEW SECTION. 554.9519 NUMBERING, MAINTAINING,  
33 AND INDEXING RECORDS -- COMMUNICATING INFORMATION PROVIDED IN  
34 RECORDS.

35 1. FILING OFFICE DUTIES. For each record filed in a

1 filing office, the filing office shall:

- 2 a. assign a unique number to the filed record;
- 3 b. create a record that bears the number assigned to the
- 4 filed record and the date and time of filing;
- 5 c. maintain the filed record for public inspection; and
- 6 d. index the filed record in accordance with subsections
- 7 3, 4, and 5.

8 2. FILE NUMBER. A file number assigned after January 1,

9 2002, must include a digit that:

- 10 a. is mathematically derived from or related to the other
- 11 digits of the file number; and
- 12 b. aids the filing office in determining whether a number
- 13 communicated as the file number includes a single-digit or
- 14 transpositional error.

15 3. INDEXING -- GENERAL. Except as otherwise provided in

16 subsections 4 and 5, the filing office shall:

- 17 a. index an initial financing statement according to the
- 18 name of the debtor and index all filed records relating to the
- 19 initial financing statement in a manner that associates with
- 20 one another an initial financing statement and all filed
- 21 records relating to the initial financing statement; and
- 22 b. index a record that provides a name of a debtor which
- 23 was not previously provided in the financing statement to
- 24 which the record relates also according to the name that was
- 25 not previously provided.

26 4. INDEXING -- REAL-PROPERTY-RELATED FINANCING STATEMENT.

27 If a financing statement is filed as a fixture filing or

28 covers as-extracted collateral or timber to be cut, it must be

29 filed for record and the filing office shall index it:

- 30 a. under the names of the debtor and of each owner of
- 31 record shown on the financing statement as if they were the
- 32 mortgagors under a mortgage of the real property described;
- 33 and
- 34 b. to the extent that the law of this state provides for
- 35 indexing of records of mortgages under the name of the

1 mortgagee, under the name of the secured party as if the  
2 secured party were the mortgagee thereunder, or, if indexing  
3 is by description, as if the financing statement were a record  
4 of a mortgage of the real property described.

5 5. INDEXING -- REAL-PROPERTY-RELATED ASSIGNMENT. If a  
6 financing statement is filed as a fixture filing or covers as-  
7 extracted collateral or timber to be cut, the filing office  
8 shall index an assignment filed under section 554.9514,  
9 subsection 1, or an amendment filed under section 554.9514,  
10 subsection 2:

- 11 a. under the name of the assignor as grantor; and
- 12 b. to the extent that the law of this state provides for
- 13 indexing a record of the assignment of a mortgage under the
- 14 name of the assignee, under the name of the assignee.

15 6. RETRIEVAL AND ASSOCIATION CAPABILITY. The filing  
16 office shall maintain a capability:

- 17 a. to retrieve a record by the name of the debtor and:
  - 18 (1) if the filing office is described in section 554.9501,
  - 19 subsection 1, paragraph "a", by the file number assigned to
  - 20 the initial financing statement to which the record relates
  - 21 and the date and time that the record was filed or recorded;
  - 22 or
  - 23 (2) if the filing office is described in section 554.9501,
  - 24 subsection 1, paragraph "b", by the file number assigned to
  - 25 the initial financing statement to which the record relates;
  - 26 and
- 27 b. to associate and retrieve with one another an initial
- 28 financing statement and each filed record relating to the
- 29 initial financing statement.

30 7. REMOVAL OF DEBTOR'S NAME. The filing office may not  
31 remove a debtor's name from the index until one year after the  
32 effectiveness of a financing statement naming the debtor  
33 lapses under section 554.9515 with respect to all secured  
34 parties of record.

35 8. TIMELINESS OF FILING OFFICE PERFORMANCE. The filing

1 office shall perform the acts required by subsections 1  
2 through 5 at the time and in the manner prescribed by filing-  
3 office rule, but not later than two business days after the  
4 filing office receives the record in question.

5     Sec. 91. NEW SECTION. 554.9520 ACCEPTANCE AND REFUSAL TO  
6 ACCEPT RECORD.

7     1. MANDATORY REFUSAL TO ACCEPT RECORD. A filing office  
8 shall refuse to accept a record for filing for a reason set  
9 forth in section 554.9516, subsection 2, and may refuse to  
10 accept a record for filing only for a reason set forth in  
11 section 554.9516, subsection 2.

12     2. COMMUNICATION CONCERNING REFUSAL. If a filing office  
13 refuses to accept a record for filing, it shall communicate to  
14 the person that presented the record the fact of and reason  
15 for the refusal and the date and time the record would have  
16 been filed had the filing office accepted it. The  
17 communication must be made at the time and in the manner  
18 prescribed by filing-office rule but in no event more than two  
19 business days after the filing office receives the record.

20     3. WHEN FILED FINANCING STATEMENT EFFECTIVE. A filed  
21 financing statement satisfying section 554.9502, subsections 1  
22 and 2, is effective, even if the filing office is required to  
23 refuse to accept it for filing under subsection 1. However,  
24 section 554.9338 applies to a filed financing statement  
25 providing information described in section 554.9516,  
26 subsection 2, paragraph "e", which is incorrect at the time  
27 the financing statement is filed.

28     4. SEPARATE APPLICATION TO MULTIPLE DEBTORS. If a record  
29 communicated to a filing office provides information that  
30 relates to more than one debtor, this part applies as to each  
31 debtor separately.

32     Sec. 92. NEW SECTION. 554.9521 UNIFORM FORM OF WRITTEN  
33 FINANCING STATEMENT AND AMENDMENT.

34     1. INITIAL FINANCING STATEMENT FORM. A filing office that  
35 accepts written records may not refuse to accept a written

1 initial financing statement in a form and format approved by  
2 the secretary of state by rule adopted pursuant to chapter 17A  
3 except for a reason set forth in section 554.9516, subsection  
4 2. The forms shall be consistent with forms for this section  
5 recommended by the national conference of commissioners on  
6 uniform state laws and the American law institute.

7 2. AMENDMENT FORM. A filing office that accepts written  
8 records may not refuse to accept a written record in a form  
9 and format approved by the secretary of state by rule adopted  
10 pursuant to chapter 17A except for a reason set forth in  
11 section 554.9516, subsection 2. The forms shall be consistent  
12 with forms for this section recommended by the national  
13 conference of commissioners on uniform state laws and the  
14 American law institute.

15 Sec. 93. NEW SECTION. 554.9522 MAINTENANCE AND  
16 DESTRUCTION OF RECORDS.

17 1. POST-LAPSE MAINTENANCE AND RETRIEVAL OF INFORMATION.  
18 The filing office shall maintain a record of the information  
19 provided in a filed financing statement for at least one year  
20 after the effectiveness of the financing statement has lapsed  
21 under section 554.9515 with respect to all secured parties of  
22 record. The record must be retrievable by using the name of  
23 the debtor and:

24 a. if the record was filed or recorded in the filing  
25 office described in section 554.9501, subsection 1, paragraph  
26 "a", by using the file number assigned to the initial  
27 financing statement to which the record relates and the date  
28 and time that the record was filed or recorded; or

29 b. if the record was filed in the filing office described  
30 in section 554.9501, subsection 1, paragraph "b", by using the  
31 file number assigned to the initial financing statement to  
32 which the record relates.

33 2. DESTRUCTION OF WRITTEN RECORDS. Except to the extent  
34 that a statute governing disposition of public records  
35 provides otherwise, the filing office immediately may destroy

1 any written record evidencing a financing statement. However,  
2 if the filing office destroys a written record, it shall  
3 maintain another record of the financing statement which  
4 complies with subsection 1.

5 Sec. 94. NEW SECTION. 554.9523 INFORMATION FROM FILING  
6 OFFICE -- SALE OR LICENSE OF RECORDS.

7 1. ACKNOWLEDGMENT OF FILING WRITTEN RECORD. If a person  
8 that files a written record requests an acknowledgment of the  
9 filing, the filing office shall send to the person an image of  
10 the record showing the number assigned to the record pursuant  
11 to section 554.9519, subsection 1, paragraph "b", and the date  
12 and time of the filing of the record. However, if the person  
13 furnishes a copy of the record to the filing office, the  
14 filing office may instead:

15 a. note upon the copy the number assigned to the record  
16 pursuant to section 554.9519, subsection 1, paragraph "a", and  
17 the date and time of the filing of the record; and

18 b. send the copy to the person.

19 2. ACKNOWLEDGMENT OF FILING OTHER RECORD. If a person  
20 files a record other than a written record, the filing office  
21 shall communicate to the person an acknowledgment that  
22 provides:

23 a. the information in the record;

24 b. the number assigned to the record pursuant to section  
25 554.9519, subsection 1, paragraph "a"; and

26 c. the date and time of the filing of the record.

27 3. COMMUNICATION OF REQUESTED INFORMATION. The filing  
28 office shall communicate or otherwise make available in a  
29 record the following information to any person that requests  
30 it:

31 a. whether there is on file on a date and time specified  
32 by the filing office, but not a date earlier than three  
33 business days before the filing office receives the request,  
34 any financing statement that:

35 (1) designates a particular debtor or, if the request so

1 states, designates a particular debtor at the address  
2 specified in the request;

3 (2) has not lapsed under section 554.9515 with respect to  
4 all secured parties of record; and

5 (3) if the request so states, has lapsed under section  
6 554.9515 and a record of which is maintained by the filing  
7 office under section 554.9522, subsection 1;

8 b. the date and time of filing of each financing  
9 statement; and

10 c. the information provided in each financing statement.

11 4. MEDIUM FOR COMMUNICATING INFORMATION. In complying  
12 with its duty under subsection 3, the filing office may  
13 communicate information in any medium. However, if requested,  
14 the filing office shall communicate information by issuing a  
15 record that can be admitted into evidence in the courts of  
16 this state without extrinsic evidence of its authenticity.

17 5. TIMELINESS OF FILING OFFICE PERFORMANCE. The filing  
18 office shall perform the acts required by subsections 1  
19 through 4 at the time and in the manner prescribed by filing-  
20 office rule, but not later than two business days after the  
21 filing office receives the request.

22 6. PUBLIC AVAILABILITY OF RECORDS. At least weekly, the  
23 filing office shall offer to sell or license to the public on  
24 a nonexclusive basis, in bulk, copies of all records filed in  
25 it under this part, in every medium from time to time  
26 available to the filing office, as provided in chapter 22.

27 Sec. 95. NEW SECTION. 554.9524 DELAY BY FILING OFFICE.

28 Delay by the filing office beyond a time limit prescribed  
29 by this part is excused if:

30 1. the delay is caused by interruption of communication or  
31 computer facilities, war, emergency conditions, failure of  
32 equipment, or other circumstances beyond control of the filing  
33 office; and

34 2. the filing office exercises reasonable diligence under  
35 the circumstances.

1       Sec. 96. NEW SECTION. 554.9525 FEES.

2       1. INITIAL FINANCING STATEMENT OR OTHER RECORD -- GENERAL  
3 RULE. Except as otherwise provided in subsection 5, fees for  
4 services rendered by the filing office under this part must be  
5 set by rules adopted by the secretary of state's office for  
6 services for that office or by ordinance adopted by the county  
7 board of supervisors for the recorders office for that county.  
8 The rule or ordinance must set the fees for filing and  
9 indexing a record under this part on the following basis:

10      a. if a record presented for filing is communicated to the  
11 filing office in writing and consists of more than two pages,  
12 the fee for filing and indexing the record must be at least  
13 twice the amount of the fee for a record communicated in  
14 writing that consists of one or two pages; and

15      b. if the record is communicated by another medium  
16 authorized by the secretary of state's office or the county  
17 board of supervisors in the county where its filing office is  
18 located, the record must be no more than half the amount of  
19 the fee for a record communicated in writing that consists of  
20 one or two pages.

21      3. NUMBER OF NAMES. The number of names required to be  
22 indexed does not affect the amount of the fee in subsections 1  
23 and 2.

24      4. RESPONSE TO INFORMATION REQUEST. A rule or ordinance  
25 adopted pursuant to subsection 1 must set the fee for  
26 responding to a request for information from the filing  
27 office, including for communicating whether there is on file  
28 any financing statement naming a particular debtor. A fee for  
29 responding to a request communicated in writing must be not  
30 less than twice the amount of the fee for responding to a  
31 request communicated by another medium authorized by the  
32 office of secretary of state or the board of supervisors for  
33 the filing office where its filing office is located.

34      5. RECORD OF MORTGAGE. This section does not require a  
35 fee with respect to a record of a mortgage which is effective



1 as a financing statement filed as a fixture filing or as a  
2 financing statement covering as-extracted collateral or timber  
3 to be cut under section 554.9502, subsection 3. However, the  
4 recording and satisfaction fees that otherwise would be  
5 applicable to the record of the mortgage apply.

6 Sec. 97. NEW SECTION. 554.9526 FILING-OFFICE RULES.

7 1. ADOPTION OF FILING-OFFICE RULES. The office of  
8 secretary of state shall adopt and publish rules to implement  
9 this Article. The filing-office rules must be:

- 10 a. consistent with this Article; and
- 11 b. adopted and published in accordance with chapter 17A.

12 2. HARMONIZATION OF RULES. To keep the filing-office  
13 rules and practices of the filing office in harmony with the  
14 rules and practices of filing offices in other jurisdictions  
15 that enact substantially this part, and to keep the technology  
16 used by the filing office compatible with the technology used  
17 by filing offices in other jurisdictions that enact  
18 substantially this part, the office of secretary of state, so  
19 far as is consistent with the purposes, policies, and  
20 provisions of this Article, in adopting, amending, and  
21 repealing filing-office rules, shall:

- 22 a. consult with filing offices in other jurisdictions that
- 23 enact substantially this part; and
- 24 b. consult the most recent version of the Model Rules
- 25 promulgated by the International Association of Corporate
- 26 Administrators or any successor organization; and
- 27 c. take into consideration the rules and practices of, and
- 28 the technology used by, filing offices in other jurisdictions
- 29 that enact substantially this part.

30 Sec. 98. NEW SECTION. 554.9527 DUTY TO REPORT.

31 The office of secretary of state shall report annually on  
32 or before December 31 to the governor on the operation of the  
33 filing office. The report must contain a statement of the  
34 extent to which:

- 35 1. the filing-office rules are not in harmony with the

1 rules of filing offices in other jurisdictions that enact  
2 substantially this part and the reasons for these variations;  
3 and

4 2. the filing-office rules are not in harmony with the  
5 most recent version of the Model Rules promulgated by the  
6 International Association of Corporate Administrators, or any  
7 successor organization, and the reasons for these variations.

8 PART 6

9 DEFAULT

10 A. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

11 Sec. 99. NEW SECTION. 554.9601 RIGHTS AFTER DEFAULT --  
12 JUDICIAL ENFORCEMENT -- CONSIGNOR OR BUYER OF ACCOUNTS,  
13 CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES.

14 1. RIGHTS OF SECURED PARTY AFTER DEFAULT. After default,  
15 a secured party has the rights provided in this part and,  
16 except as otherwise provided in section 554.9602, those  
17 provided by agreement of the parties. A secured party:

18 a. may reduce a claim to judgment, foreclose, or otherwise  
19 enforce the claim, security interest, or agricultural lien by  
20 any available judicial procedure; and

21 b. if the collateral is documents, may proceed either as  
22 to the documents or as to the goods they cover.

23 2. RIGHTS AND DUTIES OF SECURED PARTY IN POSSESSION OR  
24 CONTROL. A secured party in possession of collateral or  
25 control of collateral under section 554.9104, 554.9105,  
26 554.9106, or 554.9107 has the rights and duties provided in  
27 section 554.9207.

28 3. RIGHTS CUMULATIVE -- SIMULTANEOUS EXERCISE. The rights  
29 under subsections 1 and 2 are cumulative and may be exercised  
30 simultaneously.

31 4. RIGHTS OF DEBTOR AND OBLIGOR. Except as otherwise  
32 provided in subsection 7 and section 554.9605, after default,  
33 a debtor and an obligor have the rights provided in this part  
34 and by agreement of the parties.

35 5. LIEN OF LEVY AFTER JUDGMENT. If a secured party has

1 reduced its claim to judgment, the lien of any levy that may  
2 be made upon the collateral by virtue of an execution based  
3 upon the judgment relates back to the earliest of:

4 a. the date of perfection of the security interest or  
5 agricultural lien in the collateral;

6 b. the date of filing a financing statement covering the  
7 collateral; or

8 c. any date specified in a statute under which the  
9 agricultural lien was created.

10 6. EXECUTION SALE. A sale pursuant to an execution is a  
11 foreclosure of the security interest or agricultural lien by  
12 judicial procedure within the meaning of this section. A  
13 secured party may purchase at the sale and thereafter hold the  
14 collateral free of any other requirements of this Article.

15 7. CONSIGNOR OR BUYER OF CERTAIN RIGHTS TO PAYMENT.  
16 Except as otherwise provided in section 554.9607, subsection  
17 3, this part imposes no duties upon a secured party that is a  
18 consignor or is a buyer of accounts, chattel paper, payment  
19 intangibles, or promissory notes.

20 Sec. 100. NEW SECTION. 554.9602 WAIVER AND VARIANCE OF  
21 RIGHTS AND DUTIES.

22 Except as otherwise provided in section 554.9624, to the  
23 extent that they give rights to a debtor or obligor and impose  
24 duties on a secured party, the debtor or obligor may not waive  
25 or vary the rules stated in the following listed sections:

26 1. section 554.9207, subsection 2, paragraph "d",  
27 subparagraph (3), which deals with use and operation of the  
28 collateral by the secured party;

29 2. section 554.9210, which deals with requests for an  
30 accounting and requests concerning a list of collateral and  
31 statement of account;

32 3. section 554.9607, subsection 3, which deals with  
33 collection and enforcement of collateral;

34 4. section 554.9608, subsection 1, and section 554.9615,  
35 subsection 3, to the extent that they deal with application or

1 payment of noncash proceeds of collection, enforcement, or  
2 disposition;

3 5. section 554.9608, subsection 1, and section 554.9615,  
4 subsection 4, to the extent that they require accounting for  
5 or payment of surplus proceeds of collateral;

6 6. section 554.9609 to the extent that it imposes upon a  
7 secured party that takes possession of collateral without  
8 judicial process the duty to do so without breach of the  
9 peace;

10 7. section 554.9610, subsection 2, and sections 554.9611,  
11 554.9613, and 554.9614, which deal with disposition of  
12 collateral;

13 8. section 554.9615, subsection 6, which deals with  
14 calculation of a deficiency or surplus when a disposition is  
15 made to the secured party, a person related to the secured  
16 party, or a secondary obligor;

17 9. section 554.9616, which deals with explanation of the  
18 calculation of a surplus or deficiency;

19 10. sections 554.9620, 554.9621, and 554.9622, which deal  
20 with acceptance of collateral in satisfaction of obligation;

21 11. section 554.9623, which deals with redemption of  
22 collateral;

23 12. section 554.9624, which deals with permissible  
24 waivers; and

25 13. sections 554.9625 and 554.9626, which deal with the  
26 secured party's liability for failure to comply with this  
27 Article.

28 Sec. 101. NEW SECTION. 554.9603 AGREEMENT ON STANDARDS  
29 CONCERNING RIGHTS AND DUTIES.

30 1. AGREED STANDARDS. The parties may determine by  
31 agreement the standards measuring the fulfillment of the  
32 rights of a debtor or obligor and the duties of a secured  
33 party under a rule stated in section 554.9602 if the standards  
34 are not manifestly unreasonable.

35 2. AGREED STANDARDS INAPPLICABLE TO BREACH OF PEACE.

1 Subsection 1 does not apply to the duty under section 554.9609  
2 to refrain from breaching the peace.

3 Sec. 102. NEW SECTION. 554.9604 PROCEDURE IF SECURITY  
4 AGREEMENT COVERS REAL PROPERTY OR FIXTURES.

5 1. ENFORCEMENT -- PERSONAL AND REAL PROPERTY. If a  
6 security agreement covers both personal and real property, a  
7 secured party may proceed:

8 a. under this part as to the personal property without  
9 prejudicing any rights with respect to the real property; or

10 b. as to both the personal property and the real property  
11 in accordance with the rights with respect to the real  
12 property, in which case the other provisions of this part do  
13 not apply.

14 2. ENFORCEMENT -- FIXTURES. Subject to subsection 3, if a  
15 security agreement covers goods that are or become fixtures, a  
16 secured party may proceed:

17 a. under this part; or

18 b. in accordance with the rights with respect to real  
19 property, in which case the other provisions of this part do  
20 not apply.

21 3. REMOVAL OF FIXTURES. Subject to the other provisions  
22 of this part, if a secured party holding a security interest  
23 in fixtures has priority over all owners and encumbrancers of  
24 the real property, the secured party, after default, may  
25 remove the collateral from the real property.

26 4. INJURY CAUSED BY REMOVAL. A secured party that removes  
27 collateral shall promptly reimburse any encumbrancer or owner  
28 of the real property, other than the debtor, for the cost of  
29 repair of any physical injury caused by the removal. The  
30 secured party need not reimburse the encumbrancer or owner for  
31 any diminution in value of the real property caused by the  
32 absence of the goods removed or by any necessity of replacing  
33 them. A person entitled to reimbursement may refuse  
34 permission to remove until the secured party gives adequate  
35 assurance for the performance of the obligation to reimburse.

1 Sec. 103. NEW SECTION. 554.9605 UNKNOWN DEBTOR OR  
2 SECONDARY OBLIGOR.

3 A secured party does not owe a duty based on its status as  
4 secured party:

5 1. to a person that is a debtor or obligor, unless the  
6 secured party knows:

7 a. that the person is a debtor or obligor;

8 b. the identity of the person; and

9 c. how to communicate with the person; or

10 2. to a secured party or lienholder that has filed a  
11 financing statement against a person, unless the secured party  
12 knows:

13 a. that the person is a debtor; and

14 b. the identity of the person.

15 Sec. 104. NEW SECTION. 554.9606 TIME OF DEFAULT FOR  
16 AGRICULTURAL LIEN.

17 For purposes of this part, a default occurs in connection  
18 with an agricultural lien at the time the secured party  
19 becomes entitled to enforce the lien in accordance with the  
20 statute under which it was created.

21 Sec. 105. NEW SECTION. 554.9607 COLLECTION AND  
22 ENFORCEMENT BY SECURED PARTY.

23 1. COLLECTION AND ENFORCEMENT GENERALLY. If so agreed,  
24 and in any event after default, a secured party:

25 a. may notify an account debtor or other person obligated  
26 on collateral to make payment or otherwise render performance  
27 to or for the benefit of the secured party;

28 b. may take any proceeds to which the secured party is  
29 entitled under section 554.9315;

30 c. may enforce the obligations of an account debtor or  
31 other person obligated on collateral and exercise the rights  
32 of the debtor with respect to the obligation of the account  
33 debtor or other person obligated on collateral to make payment  
34 or otherwise render performance to the debtor, and with  
35 respect to any property that secures the obligations of the

1 account debtor or other person obligated on the collateral;  
 2 d. if it holds a security interest in a deposit account  
 3 perfected by control under section 554.9104, subsection 1,  
 4 paragraph "a", may apply the balance of the deposit account to  
 5 the obligation secured by the deposit account; and

6 e. if it holds a security interest in a deposit account  
 7 perfected by control under section 554.9104, subsection 1,  
 8 paragraph "b" or "c", may instruct the bank to pay the balance  
 9 of the deposit account to or for the benefit of the secured  
 10 party.

11 2. NONJUDICIAL ENFORCEMENT OF MORTGAGE. If necessary to  
 12 enable a secured party to exercise under subsection 1,  
 13 paragraph "c", the right of a debtor to enforce a mortgage  
 14 nonjudicially, the secured party may record in the office in  
 15 which a record of the mortgage is recorded:

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

19 b. the secured party's sworn affidavit in recordable form  
 20 stating that:

21 (1) a default has occurred; and

22 (2) the secured party is entitled to enforce the mortgage  
 23 nonjudicially.

24 3. COMMERCIALY REASONABLE COLLECTION AND ENFORCEMENT. A  
 25 secured party shall proceed in a commercially reasonable  
 26 manner if the secured party:

27 a. undertakes to collect from or enforce an obligation of  
 28 an account debtor or other person obligated on collateral; and

29 b. is entitled to charge back uncollected collateral or  
 30 otherwise to full or limited recourse against the debtor or a  
 31 secondary obligor.

32 4. EXPENSES OF COLLECTION AND ENFORCEMENT. A secured  
 33 party may deduct from the collections made pursuant to  
 34 subsection 3 reasonable expenses of collection and  
 35 enforcement, including reasonable attorney's fees and legal

1 expenses incurred by the secured party.

2 5. DUTIES TO SECURED PARTY NOT AFFECTED. This section  
3 does not determine whether an account debtor, bank, or other  
4 person obligated on collateral owes a duty to a secured party.

5 Sec. 106. NEW SECTION. 554.9608 APPLICATION OF PROCEEDS  
6 OF COLLECTION OR ENFORCEMENT -- LIABILITY FOR DEFICIENCY AND  
7 RIGHT TO SURPLUS.

8 1. APPLICATION OF PROCEEDS, SURPLUS, AND DEFICIENCY IF  
9 OBLIGATION SECURED. If a security interest or agricultural  
10 lien secures payment or performance of an obligation, the  
11 following rules apply:

12 a. a secured party shall apply or pay over for application  
13 the cash proceeds of collection or enforcement under this  
14 section in the following order to:

15 (1) the reasonable expenses of collection and enforcement  
16 and, to the extent provided for by agreement and not  
17 prohibited by law, reasonable attorney's fees and legal  
18 expenses incurred by the secured party;

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

22 (3) the satisfaction of obligations secured by any  
23 subordinate security interest in or other lien on the  
24 collateral subject to the security interest or agricultural  
25 lien under which the collection or enforcement is made if the  
26 secured party receives an authenticated demand for proceeds  
27 before distribution of the proceeds is completed.

28 b. if requested by a secured party, a holder of a  
29 subordinate security interest or other lien shall furnish  
30 reasonable proof of the interest or lien within a reasonable  
31 time. Unless the holder complies, the secured party need not  
32 comply with the holder's demand under paragraph "a",  
33 subparagraph (3).

34 c. a secured party need not apply or pay over for  
35 application noncash proceeds of collection and enforcement



1 under this section unless the failure to do so would be  
2 commercially unreasonable. A secured party that applies or  
3 pays over for application noncash proceeds shall do so in a  
4 commercially reasonable manner.

5 d. a secured party shall account to and pay a debtor for  
6 any surplus, and the obligor is liable for any deficiency.

7 2. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO  
8 PAYMENT. If the underlying transaction is a sale of accounts,  
9 chattel paper, payment intangibles, or promissory notes, the  
10 debtor is not entitled to any surplus, and the obligor is not  
11 liable for any deficiency.

12 Sec. 107. NEW SECTION. 554.9609 SECURED PARTY'S RIGHT TO  
13 TAKE POSSESSION AFTER DEFAULT.

14 1. POSSESSION -- RENDERING EQUIPMENT UNUSABLE --  
15 DISPOSITION ON DEBTOR'S PREMISES. After default, a secured  
16 party:

- 17 a. may take possession of the collateral; and
- 18 b. without removal, may render equipment unusable and
- 19 dispose of collateral on a debtor's premises under section
- 20 554.9610.

21 2. JUDICIAL AND NONJUDICIAL PROCESS. A secured party may  
22 proceed under subsection 1:

- 23 a. pursuant to judicial process; or
- 24 b. without judicial process, if it proceeds without breach
- 25 of the peace.

26 3. ASSEMBLY OF COLLATERAL. If so agreed, and in any event  
27 after default, a secured party may require the debtor to  
28 assemble the collateral and make it available to the secured  
29 party at a place to be designated by the secured party which  
30 is reasonably convenient to both parties.

31 Sec. 108. NEW SECTION. 554.9610 DISPOSITION OF  
32 COLLATERAL AFTER DEFAULT.

33 1. DISPOSITION AFTER DEFAULT. After default, a secured  
34 party may sell, lease, license, or otherwise dispose of any or  
35 all of the collateral in its present condition or following

1 any commercially reasonable preparation or processing.

2 2. COMMERCIALY REASONABLE DISPOSITION. Every aspect of a  
3 disposition of collateral, including the method, manner, time,  
4 place, and other terms, must be commercially reasonable. If  
5 commercially reasonable, a secured party may dispose of  
6 collateral by public or private proceedings, by one or more  
7 contracts, as a unit or in parcels, and at any time and place  
8 and on any terms.

9 3. PURCHASE BY SECURED PARTY. A secured party may  
10 purchase collateral:

11 a. at a public disposition; or

12 b. at a private disposition only if the collateral is of a  
13 kind that is customarily sold on a recognized market or the  
14 subject of widely distributed standard price quotations.

15 4. WARRANTIES ON DISPOSITION. A contract for sale, lease,  
16 license, or other disposition includes the warranties relating  
17 to title, possession, quiet enjoyment, and the like which by  
18 operation of law accompany a voluntary disposition of property  
19 of the kind subject to the contract.

20 5. DISCLAIMER OF WARRANTIES. A secured party may disclaim  
21 or modify warranties under subsection 4:

22 a. in a manner that would be effective to disclaim or  
23 modify the warranties in a voluntary disposition of property  
24 of the kind subject to the contract of disposition; or

25 b. by communicating to the purchaser a record evidencing  
26 the contract for disposition and including an express  
27 disclaimer or modification of the warranties.

28 6. RECORD SUFFICIENT TO DISCLAIM WARRANTIES. A record is  
29 sufficient to disclaim warranties under subsection 5 if it  
30 indicates "There is no warranty relating to title, possession,  
31 quiet enjoyment, or the like in this disposition" or uses  
32 words of similar import.

33 Sec. 109. NEW SECTION. 554.9611 NOTIFICATION BEFORE  
34 DISPOSITION OF COLLATERAL.

35 1. NOTIFICATION DATE. In this section, "notification

1 date" means the earlier of the date on which:

- 2 a. a secured party sends to the debtor and any secondary
- 3 obligor an authenticated notification of disposition; or
- 4 b. the debtor and any secondary obligor waive the right to
- 5 notification.

6 2. NOTIFICATION OF DISPOSITION REQUIRED. Except as

7 otherwise provided in subsection 4, a secured party that

8 disposes of collateral under section 554.9610 shall send to

9 the persons specified in subsection 3 a reasonable

10 authenticated notification of disposition.

11 3. PERSONS TO BE NOTIFIED. To comply with subsection 2,

12 the secured party shall send an authenticated notification of

13 disposition to:

- 14 a. the debtor;
- 15 b. any secondary obligor; and
- 16 c. if the collateral is other than consumer goods:

17 (1) any other person from which the secured party has

18 received, before the notification date, an authenticated

19 notification of a claim of an interest in the collateral;

20 (2) any other secured party or lienholder that, ten days

21 before the notification date, held a security interest in or

22 other lien on the collateral perfected by the filing of a

23 financing statement that:

- 24 (a) identified the collateral;
- 25 (b) was indexed under the debtor's name as of that date;
- 26 and
- 27 (c) was filed in the office in which to file a financing
- 28 statement against the debtor covering the collateral as of
- 29 that date; and

30 (3) any other secured party that, ten days before the

31 notification date, held a security interest in the collateral

32 perfected by compliance with a statute, regulation, or treaty

33 described in section 554.9311, subsection 1.

34 4. SUBSECTION 2 INAPPLICABLE -- PERISHABLE COLLATERAL --

35 RECOGNIZED MARKET. Subsection 2 does not apply if the

1 collateral is perishable or threatens to decline speedily in  
2 value or is of a type customarily sold on a recognized market.

3 5. COMPLIANCE WITH SUBSECTION 3, PARAGRAPH "C",  
4 SUBPARAGRAPH (2). A secured party complies with the  
5 requirement for notification prescribed by subsection 3,  
6 paragraph "c", subparagraph (2), if:

7 a. not later than twenty days or earlier than thirty days  
8 before the notification date, the secured party requests, in a  
9 commercially reasonable manner, information concerning  
10 financing statements indexed under the debtor's name in the  
11 office indicated in subsection 3, paragraph "c", subparagraph  
12 (2); and

13 b. before the notification date, the secured party:

14 (1) did not receive a response to the request for  
15 information; or

16 (2) received a response to the request for information and  
17 sent an authenticated notification of disposition to each  
18 secured party or other lienholder named in that response whose  
19 financing statement covered the collateral.

20 Sec. 110. NEW SECTION. 554.9612 TIMELINESS OF  
21 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

22 1. REASONABLE TIME IS QUESTION OF FACT. Except as  
23 otherwise provided in subsection 2, whether a notification is  
24 sent within a reasonable time is a question of fact.

25 2. TEN-DAY PERIOD SUFFICIENT IN NONCONSUMER TRANSACTION.

26 In a transaction other than a consumer transaction, a  
27 notification of disposition sent after default and ten days or  
28 more before the earliest time of disposition set forth in the  
29 notification is sent within a reasonable time before the  
30 disposition.

31 Sec. 111. NEW SECTION. 554.9613 CONTENTS AND FORM OF  
32 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- GENERAL.

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

35 1. The contents of a notification of disposition are

1 sufficient if the notification:

- 2 a. describes the debtor and the secured party;
- 3 b. describes the collateral that is the subject of the
- 4 intended disposition;
- 5 c. states the method of intended disposition;
- 6 d. states that the debtor is entitled to an accounting of
- 7 the unpaid indebtedness and states the charge, if any, for an
- 8 accounting; and
- 9 e. states the time and place of a public sale or the time
- 10 after which any other disposition is to be made.

11 2. Whether the contents of a notification that lacks any  
12 of the information specified in subsection 1 are nevertheless  
13 sufficient is a question of fact.

14 3. The contents of a notification providing substantially  
15 the information specified in subsection 1 are sufficient, even  
16 if the notification includes:

- 17 a. information not specified by that subsection; or
- 18 b. minor errors that are not seriously misleading.

19 4. A particular phrasing of the notification is not  
20 required.

21 5. The following form of notification and the form  
22 appearing in section 554.9614, subsection 3, when completed,  
23 each provides sufficient information:

24 NOTIFICATION OF DISPOSITION OF COLLATERAL

25 To: [name of debtor, obligor, or other person to which the  
26 notification is sent]

27 From: [name, address, and telephone number of secured  
28 party]

29 Name of Debtor(s): [include only if debtor(s) are not an  
30 addressee]

31 [for a public disposition:]

32 We will sell [or lease or license, as applicable] the  
33 [describe collateral] [to the highest qualified bidder] in  
34 public as follows:

35 Day and Date: \_\_\_\_\_

S.F. \_\_\_\_\_ H.F. \_\_\_\_\_

1 Time: \_\_\_\_\_

2 Place: \_\_\_\_\_

3 [for a private disposition:]

4 We will sell [or lease or license, as applicable] the  
5 [describe collateral] privately sometime after [day and  
6 date].

7 You are entitled to an accounting of the unpaid indebtedness  
8 secured by the property that we intend to sell [or lease or  
9 license, as applicable] [for a charge of \_\_\_\_\_ dollars]. You  
10 may request an accounting by calling us at [telephone number].

11 Sec. 112. NEW SECTION. 554.9614 CONTENTS AND FORM OF  
12 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- CONSUMER-  
13 GOODS TRANSACTION.

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

15 1. A notification of disposition must provide the  
16 following information:

17 a. the information specified in section 554.9613,  
18 subsection 1;

19 b. a description of any liability for a deficiency of the  
20 person to which the notification is sent;

21 c. a telephone number from which the amount that must be  
22 paid to the secured party to redeem the collateral under  
23 section 554.9623 is available; and

24 d. a telephone number or mailing address from which  
25 additional information concerning the disposition and the  
26 obligation secured is available.

27 2. A particular phrasing of the notification is not  
28 required.

29 3. The following form of notification, when completed,  
30 provides sufficient information:

31 [name and address of secured party]

32 [date]

33 NOTICE OF OUR PLAN TO SELL PROPERTY

34 [name and address of any obligor who is also a debtor]

35 Subject: [identification of transaction]

S.F. \_\_\_\_\_ H.F. \_\_\_\_\_

1 We have your \_\_\_\_\_ [describe collateral] \_\_\_\_\_, because you  
2 broke promises in our agreement.

3 [for a public disposition:]

4 We will sell \_\_\_\_\_ [describe collateral] \_\_\_\_\_ at public sale.  
5 A sale could include a lease or license. The sale will be held  
6 as follows:

7 Date: \_\_\_\_\_

8 Time: \_\_\_\_\_

9 Place: \_\_\_\_\_

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

11 [for a private disposition:]

12 We will sell \_\_\_\_\_ [describe collateral] \_\_\_\_\_ at private sale  
13 sometime after \_\_\_\_\_ [date] \_\_\_\_\_. A sale could include a lease or  
14 license.

15 The money that we get from the sale (after paying our costs)  
16 will reduce the amount you owe. If we get less money than you  
17 owe, you \_\_\_\_\_ [will or will not, as applicable] \_\_\_\_\_ still owe us  
18 the difference. If we get more money than you owe, you will get  
19 the extra money, unless we must pay it to someone else.

20 You can get the property back at any time before we sell it  
21 by paying us the full amount you owe (not just the past due  
22 payments), including our expenses. To learn the exact amount you  
23 must pay, call us at \_\_\_\_\_ [telephone number] \_\_\_\_\_.

24 If you want us to explain to you in writing how we have  
25 figured the amount that you owe us, you may call us at  
26 \_\_\_\_\_ [telephone number] \_\_\_\_\_ [or write us at \_\_\_\_\_ [secured party's  
27 address] \_\_\_\_\_] and request a written explanation. [We will  
28 charge you \_\_\_\_\_ for the explanation if we sent you  
29 another written explanation of the amount you owe us within the  
30 last six months.]

31 If you need more information about the sale call us at  
32 \_\_\_\_\_ [telephone number] \_\_\_\_\_ [or write us at \_\_\_\_\_ [secured party's  
33 address] \_\_\_\_\_].

34 We are sending this notice to the following other people who  
35 have an interest in \_\_\_\_\_ [describe collateral] \_\_\_\_\_ or who owe

1 money under your agreement:

2 [names of all other debtors and obligors, if any]

3 4. A notification in the form of subsection 3 is  
4 sufficient, even if additional information appears at the end  
5 of the form.

6 5. A notification in the form of subsection 3 is  
7 sufficient, even if it includes errors in information not  
8 required by subsection 1, unless the error is misleading with  
9 respect to rights arising under this Article.

10 6. If a notification under this section is not in the form  
11 of subsection 3, law other than this Article determines the  
12 effect of including information not required by subsection 1.

13 Sec. 113. NEW SECTION. 554.9615 APPLICATION OF PROCEEDS  
14 OF DISPOSITION -- LIABILITY FOR DEFICIENCY AND RIGHT TO  
15 SURPLUS.

16 1. APPLICATION OF PROCEEDS. A secured party shall apply  
17 or pay over for application the cash proceeds of disposition  
18 in the following order to:

19 a. the reasonable expenses of retaking, holding, preparing  
20 for disposition, processing, and disposing, and, to the extent  
21 provided for by agreement and not prohibited by law,  
22 reasonable attorney's fees and legal expenses incurred by the  
23 secured party;

24 b. the satisfaction of obligations secured by the security  
25 interest or agricultural lien under which the disposition is  
26 made;

27 c. the satisfaction of obligations secured by any  
28 subordinate security interest in or other subordinate lien on  
29 the collateral if:

30 (1) the secured party receives from the holder of the  
31 subordinate security interest or other lien an authenticated  
32 demand for proceeds before distribution of the proceeds is  
33 completed; and

34 (2) in a case in which a consignor has an interest in the  
35 collateral, the subordinate security interest or other lien is



1 senior to the interest of the consignor; and  
 2 d. a secured party that is a consignor of the collateral  
 3 if the secured party receives from the consignor an  
 4 authenticated demand for proceeds before distribution of the  
 5 proceeds is completed.

6 2. PROOF OF SUBORDINATE INTEREST. If requested by a  
 7 secured party, a holder of a subordinate security interest or  
 8 other lien shall furnish reasonable proof of the interest or  
 9 lien within a reasonable time. Unless the holder does so, the  
 10 secured party need not comply with the holder's demand under  
 11 subsection 1, paragraph "c".

12 3. APPLICATION OF NONCASH PROCEEDS. A secured party need  
 13 not apply or pay over for application noncash proceeds of  
 14 disposition under this section unless the failure to do so  
 15 would be commercially unreasonable. A secured party that  
 16 applies or pays over for application noncash proceeds shall do  
 17 so in a commercially reasonable manner.

18 4. SURPLUS OR DEFICIENCY IF OBLIGATION SECURED. If the  
 19 security interest under which a disposition is made secures  
 20 payment or performance of an obligation, after making the  
 21 payments and applications required by subsection 1 and  
 22 permitted by subsection 3:

23 a. unless subsection 1, paragraph "d", requires the  
 24 secured party to apply or pay over cash proceeds to a  
 25 consignor, the secured party shall account to and pay a debtor  
 26 for any surplus; and

27 b. the obligor is liable for any deficiency.

28 5. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO  
 29 PAYMENT. If the underlying transaction is a sale of accounts,  
 30 chattel paper, payment intangibles, or promissory notes:

31 a. the debtor is not entitled to any surplus; and

32 b. the obligor is not liable for any deficiency.

33 6. CALCULATION OF SURPLUS OR DEFICIENCY IN DISPOSITION TO  
 34 PERSON RELATED TO SECURED PARTY. The surplus or deficiency  
 35 following a disposition is calculated based on the amount of

1 proceeds that would have been realized in a disposition  
2 complying with this part to a transferee other than the  
3 secured party, a person related to the secured party, or a  
4 secondary obligor if:

5 a. the transferee in the disposition is the secured party,  
6 a person related to the secured party, or a secondary obligor;  
7 and

8 b. the amount of proceeds of the disposition is  
9 significantly below the range of proceeds that a complying  
10 disposition to a person other than the secured party, a person  
11 related to the secured party, or a secondary obligor would  
12 have brought.

13 7. CASH PROCEEDS RECEIVED BY JUNIOR SECURED PARTY. A  
14 secured party that receives cash proceeds of a disposition in  
15 good faith and without knowledge that the receipt violates the  
16 rights of the holder of a security interest or other lien that  
17 is not subordinate to the security interest or agricultural  
18 lien under which the disposition is made:

19 a. takes the cash proceeds free of the security interest  
20 or other lien;

21 b. is not obligated to apply the proceeds of the  
22 disposition to the satisfaction of obligations secured by the  
23 security interest or other lien; and

24 c. is not obligated to account to or pay the holder of the  
25 security interest or other lien for any surplus.

26 Sec. 114. NEW SECTION. 554.9616 EXPLANATION OF  
27 CALCULATION OF SURPLUS OR DEFICIENCY.

28 1. DEFINITIONS. In this section:

29 a. "Explanation" means a writing that:

30 (1) states the amount of the surplus or deficiency;

31 (2) provides an explanation in accordance with subsection  
32 3 of how the secured party calculated the surplus or  
33 deficiency;

34 (3) states, if applicable, that future debits, credits,  
35 charges, including additional credit service charges or

1 interest, rebates, and expenses may affect the amount of the  
2 surplus or deficiency; and

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

6 b. "Request" means a record:

- 7 (1) authenticated by a debtor or consumer obligor;
- 8 (2) requesting that the recipient provide an explanation;
- 9 and

10 (3) sent after disposition of the collateral under section  
11 554.9610.

12 2. EXPLANATION OF CALCULATION. In a consumer-goods  
13 transaction in which the debtor is entitled to a surplus or a  
14 consumer obligor is liable for a deficiency under section  
15 554.9615, the secured party shall:

16 a. send an explanation to the debtor or consumer obligor,  
17 as applicable, after the disposition and:

- 18 (1) before or when the secured party accounts to the  
19 debtor and pays any surplus or first makes written demand on  
20 the consumer obligor after the disposition for payment of the  
21 deficiency; and

22 (2) within fourteen days after receipt of a request; or

23 b. in the case of a consumer obligor who is liable for a  
24 deficiency, within fourteen days after receipt of a request,  
25 send to the consumer obligor a record waiving the secured  
26 party's right to a deficiency.

27 3. REQUIRED INFORMATION. To comply with subsection 1,  
28 paragraph "a", subparagraph (2), a writing must provide the  
29 following information in the following order:

30 a. the aggregate amount of obligations secured by the  
31 security interest under which the disposition was made, and,  
32 if the amount reflects a rebate of unearned interest or credit  
33 service charge, an indication of that fact, calculated as of a  
34 specified date:

- 35 (1) if the secured party takes or receives possession of

1 the collateral after default, not more than thirty-five days  
2 before the secured party takes or receives possession; or

3 (2) if the secured party takes or receives possession of  
4 the collateral before default or does not take possession of  
5 the collateral, not more than thirty-five days before the  
6 disposition;

7 b. the amount of proceeds of the disposition;

8 c. the aggregate amount of the obligations after deducting  
9 the amount of proceeds;

10 d. the amount, in the aggregate or by type, and types of  
11 expenses, including expenses of retaking, holding, preparing  
12 for disposition, processing, and disposing of the collateral,  
13 and attorney's fees secured by the collateral which are known  
14 to the secured party and relate to the current disposition;

15 e. the amount, in the aggregate or by type, and types of  
16 credits, including rebates of interest or credit service  
17 charges, to which the obligor is known to be entitled and  
18 which are not reflected in the amount in paragraph "a"; and

19 f. the amount of the surplus or deficiency.

20 4. SUBSTANTIAL COMPLIANCE. A particular phrasing of the  
21 explanation is not required. An explanation complying  
22 substantially with the requirements of subsection 1 is  
23 sufficient, even if it includes minor errors that are not  
24 seriously misleading.

25 5. CHARGES FOR RESPONSES. A debtor or consumer obligor is  
26 entitled without charge to one response to a request under  
27 this section during any six-month period in which the secured  
28 party did not send to the debtor or consumer obligor an  
29 explanation pursuant to subsection 2, paragraph "a". The  
30 secured party may require payment of a charge not exceeding  
31 twenty-five dollars for each additional response.

32 Sec. 115. NEW SECTION. 554.9617 RIGHTS OF TRANSFEREE OF  
33 COLLATERAL.

34 1. EFFECTS OF DISPOSITION. A secured party's disposition  
35 of collateral after default:

- 1 a. transfers to a transferee for value all of the debtor's
- 2 rights in the collateral;
- 3 b. discharges the security interest under which the
- 4 disposition is made; and
- 5 c. discharges any subordinate security interest or other
- 6 subordinate lien.

7 2. RIGHTS OF GOOD-FAITH TRANSFEREE. A transferee that  
 8 acts in good faith takes free of the rights and interests  
 9 described in subsection 1, even if the secured party fails to  
 10 comply with this Article or the requirements of any judicial  
 11 proceeding.

12 3. RIGHTS OF OTHER TRANSFEREE. If a transferee does not  
 13 take free of the rights and interests described in subsection  
 14 1, the transferee takes the collateral subject to:

- 15 a. the debtor's rights in the collateral;
- 16 b. the security interest or agricultural lien under which
- 17 the disposition is made; and
- 18 c. any other security interest or other lien.

19 Sec. 116. NEW SECTION. 554.9618 RIGHTS AND DUTIES OF  
 20 CERTAIN SECONDARY OBLIGORS.

21 1. RIGHTS AND DUTIES OF SECONDARY OBLIGOR. A secondary  
 22 obligor acquires the rights and becomes obligated to perform  
 23 the duties of the secured party after the secondary obligor:

- 24 a. receives an assignment of a secured obligation from the
- 25 secured party;
- 26 b. receives a transfer of collateral from the secured
- 27 party and agrees to accept the rights and assume the duties of
- 28 the secured party; or
- 29 c. is subrogated to the rights of a secured party with
- 30 respect to collateral.

31 2. EFFECT OF ASSIGNMENT, TRANSFER, OR SUBROGATION. An  
 32 assignment, transfer, or subrogation described in subsection  
 33 1:

- 34 a. is not a disposition of collateral under section
- 35 554.9610; and

1 b. relieves the secured party of further duties under this  
2 Article.

3 Sec. 117. NEW SECTION. 554.9619 TRANSFER OF RECORD OR  
4 LEGAL TITLE.

5 1. TRANSFER STATEMENT. In this section, "transfer  
6 statement" means a record authenticated by a secured party  
7 stating:

8 a. that the debtor has defaulted in connection with an  
9 obligation secured by specified collateral;

10 b. that the secured party has exercised its post-default  
11 remedies with respect to the collateral;

12 c. that, by reason of the exercise, a transferee has  
13 acquired the rights of the debtor in the collateral; and

14 d. the name and mailing address of the secured party,  
15 debtor, and transferee.

16 2. EFFECT OF TRANSFER STATEMENT. A transfer statement  
17 entitles the transferee to the transfer of record of all  
18 rights of the debtor in the collateral specified in the  
19 statement in any official filing, recording, registration, or  
20 certificate-of-title system covering the collateral. If a  
21 transfer statement is presented with the applicable fee and  
22 request form to the official or office responsible for  
23 maintaining the system, the official or office shall:

24 a. accept the transfer statement;

25 b. promptly amend its records to reflect the transfer; and

26 c. if applicable, issue a new appropriate certificate of  
27 title in the name of the transferee.

28 3. TRANSFER NOT A DISPOSITION -- NO RELIEF OF SECURED  
29 PARTY'S DUTIES. A transfer of the record or legal title to  
30 collateral to a secured party under subsection 2 or otherwise  
31 is not of itself a disposition of collateral under this  
32 Article and does not of itself relieve the secured party of  
33 its duties under this Article.

34 Sec. 118. NEW SECTION. 554.9620 ACCEPTANCE OF COLLATERAL  
35 IN FULL OR PARTIAL SATISFACTION OF OBLIGATION -- COMPULSORY

1 DISPOSITION OF COLLATERAL.

2 1. CONDITIONS TO ACCEPTANCE IN SATISFACTION. Except as  
3 otherwise provided in subsection 7, a secured party may accept  
4 collateral in full or partial satisfaction of the obligation  
5 it secures only if:

6 a. the debtor consents to the acceptance under subsection  
7 3;

8 b. the secured party does not receive, within the time set  
9 forth in subsection 4, a notification of objection to the  
10 proposal authenticated by:

11 (1) a person to which the secured party was required to  
12 send a proposal under section 554.9621; or

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

16 c. if the collateral is consumer goods, the collateral is  
17 not in the possession of the debtor when the debtor consents  
18 to the acceptance; and

19 d. subsection 5 does not require the secured party to  
20 dispose of the collateral or the debtor waives the requirement  
21 pursuant to section 554.9624.

22 2. PURPORTED ACCEPTANCE INEFFECTIVE. A purported or  
23 apparent acceptance of collateral under this section is  
24 ineffective unless:

25 a. the secured party consents to the acceptance in an  
26 authenticated record or sends a proposal to the debtor; and

27 b. the conditions of subsection 1 are met.

28 3. DEBTOR'S CONSENT. For purposes of this section:

29 a. a debtor consents to an acceptance of collateral in  
30 partial satisfaction of the obligation it secures only if the  
31 debtor agrees to the terms of the acceptance in a record  
32 authenticated after default; and

33 b. a debtor consents to an acceptance of collateral in  
34 full satisfaction of the obligation it secures only if the  
35 debtor agrees to the terms of the acceptance in a record

1 authenticated after default or the secured party:

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

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

8 (3) does not receive a notification of objection  
9 authenticated by the debtor within twenty days after the  
10 proposal is sent.

11 4. EFFECTIVENESS OF NOTIFICATION. To be effective under  
12 subsection 1, paragraph "b", a notification of objection must  
13 be received by the secured party:

14 a. in the case of a person to which the proposal was sent  
15 pursuant to section 554.9621, within twenty days after  
16 notification was sent to that person; and

17 b. in other cases:

18 (1) within twenty days after the last notification was  
19 sent pursuant to section 554.9621; or

20 (2) if a notification was not sent, before the debtor  
21 consents to the acceptance under subsection 3.

22 5. MANDATORY DISPOSITION OF CONSUMER GOODS. A secured  
23 party that has taken possession of collateral shall dispose of  
24 the collateral pursuant to section 554.9610 within the time  
25 specified in subsection 6 if:

26 a. sixty percent of the cash price has been paid in the  
27 case of a purchase-money security interest in consumer goods;  
28 or

29 b. sixty percent of the principal amount of the obligation  
30 secured has been paid in the case of a non-purchase-money  
31 security interest in consumer goods.

32 6. COMPLIANCE WITH MANDATORY DISPOSITION REQUIREMENT. To  
33 comply with subsection 5, the secured party shall dispose of  
34 the collateral:

35 a. within ninety days after taking possession; or



1 b. within any longer period to which the debtor and all  
2 secondary obligors have agreed in an agreement to that effect  
3 entered into and authenticated after default.

4 7. NO PARTIAL SATISFACTION IN CONSUMER TRANSACTION. In a  
5 consumer transaction, a secured party may not accept  
6 collateral in partial satisfaction of the obligation it  
7 secures.

8 Sec. 119. NEW SECTION. 554.9621 NOTIFICATION OF PROPOSAL  
9 TO ACCEPT COLLATERAL.

10 1. PERSONS TO WHICH PROPOSAL TO BE SENT. A secured party  
11 that desires to accept collateral in full or partial  
12 satisfaction of the obligation it secures shall send its  
13 proposal to:

14 a. any person from which the secured party has received,  
15 before the debtor consented to the acceptance, an  
16 authenticated notification of a claim of an interest in the  
17 collateral;

18 b. any other secured party or lienholder that, ten days  
19 before the debtor consented to the acceptance, held a security  
20 interest in or other lien on the collateral perfected by the  
21 filing of a financing statement that:

- 22 (1) identified the collateral;
- 23 (2) was indexed under the debtor's name as of that date;
- 24 and

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

28 c. any other secured party that, ten days before the  
29 debtor consented to the acceptance, held a security interest  
30 in the collateral perfected by compliance with a statute,  
31 regulation, or treaty described in section 554.9311,  
32 subsection 1.

33 2. PROPOSAL TO BE SENT TO SECONDARY OBLIGOR IN PARTIAL  
34 SATISFACTION. A secured party that desires to accept  
35 collateral in partial satisfaction of the obligation it

1 secures shall send its proposal to any secondary obligor in  
2 addition to the persons described in subsection 1.

3 Sec. 120. NEW SECTION. 554.9622 EFFECT OF ACCEPTANCE OF  
4 COLLATERAL.

5 1. EFFECT OF ACCEPTANCE. A secured party's acceptance of  
6 collateral in full or partial satisfaction of the obligation  
7 it secures:

8 a. discharges the obligation to the extent consented to by  
9 the debtor;

10 b. transfers to the secured party all of a debtor's rights  
11 in the collateral;

12 c. discharges the security interest or agricultural lien  
13 that is the subject of the debtor's consent and any

14 subordinate security interest or other subordinate lien; and

15 d. terminates any other subordinate interest.

16 2. DISCHARGE OF SUBORDINATE INTEREST NOTWITHSTANDING  
17 NONCOMPLIANCE. A subordinate interest is discharged or  
18 terminated under subsection 1, even if the secured party fails  
19 to comply with this Article.

20 Sec. 121. NEW SECTION. 554.9623 RIGHT TO REDEEM  
21 COLLATERAL.

22 1. PERSONS THAT MAY REDEEM. A debtor, any secondary  
23 obligor, or any other secured party or lienholder may redeem  
24 collateral.

25 2. REQUIREMENTS FOR REDEMPTION. To redeem collateral, a  
26 person shall tender:

27 a. fulfillment of all obligations secured by the  
28 collateral; and

29 b. the reasonable expenses and attorney's fees described  
30 in section 554.9615, subsection 1, paragraph "a".

31 3. WHEN REDEMPTION MAY OCCUR. A redemption may occur at  
32 any time before a secured party:

33 a. has collected collateral under section 554.9607;

34 b. has disposed of collateral or entered into a contract  
35 for its disposition under section 554.9610; or

1 c. has accepted collateral in full or partial satisfaction  
2 of the obligation it secures under section 554.9622.

3 Sec. 122. NEW SECTION. 554.9624 WAIVER.

4 1. WAIVER OF DISPOSITION NOTIFICATION. A debtor or  
5 secondary obligor may waive the right to notification of  
6 disposition of collateral under section 554.9611 only by an  
7 agreement to that effect entered into and authenticated after  
8 default.

9 2. WAIVER OF MANDATORY DISPOSITION. A debtor may waive  
10 the right to require disposition of collateral under section  
11 554.9620, subsection 5, only by an agreement to that effect  
12 entered into and authenticated after default.

13 3. WAIVER OF REDEMPTION RIGHT. Except in a consumer-goods  
14 transaction, a debtor or secondary obligor may waive the right  
15 to redeem collateral under section 554.9623 only by an  
16 agreement to that effect entered into and authenticated after  
17 default.

18 B. NONCOMPLIANCE WITH ARTICLE

19 Sec. 123. NEW SECTION. 554.9625 REMEDIES FOR SECURED  
20 PARTY'S FAILURE TO COMPLY WITH ARTICLE.

21 1. JUDICIAL ORDERS CONCERNING NONCOMPLIANCE. If it is  
22 established that a secured party is not proceeding in  
23 accordance with this Article, a court may order or restrain  
24 collection, enforcement, or disposition of collateral on  
25 appropriate terms and conditions.

26 2. DAMAGES FOR NONCOMPLIANCE. Subject to subsections 3,  
27 4, and 6, a person is liable for damages in the amount of any  
28 loss caused by a failure to comply with this Article. Loss  
29 caused by a failure to comply with a request under section  
30 554.9210 may include loss resulting from the debtor's  
31 inability to obtain, or increased costs of, alternative  
32 financing.

33 3. PERSONS ENTITLED TO RECOVER DAMAGES -- STATUTORY  
34 DAMAGES IN CONSUMER-GOODS TRANSACTION. Except as otherwise  
35 provided in section 554.9628:

1 a. a person that, at the time of the failure, was a  
2 debtor, was an obligor, or held a security interest in or  
3 other lien on the collateral may recover damages under  
4 subsection 2 for its loss; and

5 b. if the collateral is consumer goods, a person that was  
6 a debtor or a secondary obligor at the time a secured party  
7 failed to comply with this part may recover for that failure  
8 in any event an amount not less than the credit service charge  
9 plus ten percent of the principal amount of the obligation or  
10 the time-price differential plus ten percent of the cash  
11 price.

12 4. RECOVERY WHEN DEFICIENCY ELIMINATED OR REDUCED. A  
13 debtor whose deficiency is eliminated under section 554.9626  
14 may recover damages for the loss of any surplus. However, a  
15 debtor or secondary obligor whose deficiency is eliminated or  
16 reduced under section 554.9626 may not otherwise recover under  
17 subsection 2 for noncompliance with the provisions of this  
18 part relating to collection, enforcement, disposition, or  
19 acceptance.

20 5. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SPECIFIED  
21 PROVISIONS. In addition to any damages recoverable under  
22 subsection 2, the debtor, consumer obligor, or person named as  
23 a debtor in a filed record, as applicable, may recover five  
24 hundred dollars in each case from a person that:

25 a. fails to comply with section 554.9208;

26 b. fails to comply with section 554.9209;

27 c. files a record that the person is not entitled to file  
28 under section 554.9509, subsection 1;

29 d. fails to cause the secured party of record to file or  
30 send a termination statement as required by section 554.9513,  
31 subsection 1 or 3;

32 e. fails to comply with section 554.9616, subsection 2,  
33 paragraph "a", and whose failure is part of a pattern, or  
34 consistent with a practice, of noncompliance; or

35 f. fails to comply with section 554.9616, subsection 2,

1 paragraph "b".

2 6. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SECTION  
 3 554.9210. A debtor or consumer obligor may recover damages  
 4 under subsection 2 and, in addition, five hundred dollars in  
 5 each case from a person that, without reasonable cause, fails  
 6 to comply with a request under section 554.9210. A recipient  
 7 of a request under section 554.9210 which never claimed an  
 8 interest in the collateral or obligations that are the subject  
 9 of a request under that section has a reasonable excuse for  
 10 failure to comply with the request within the meaning of this  
 11 subsection.

12 7. LIMITATION OF SECURITY INTEREST -- NONCOMPLIANCE WITH  
 13 SECTION 554.9210. If a secured party fails to comply with a  
 14 request regarding a list of collateral or a statement of  
 15 account under section 554.9210, the secured party may claim a  
 16 security interest only as shown in the statement included in  
 17 the request as against a person that is reasonably misled by  
 18 the failure.

19 Sec. 124. NEW SECTION. 554.9626 ACTION IN WHICH  
 20 DEFICIENCY OR SURPLUS IS IN ISSUE.

21 1. APPLICABLE RULES IF AMOUNT OF DEFICIENCY OR SURPLUS IN  
 22 ISSUE. In an action arising from a transaction, other than a  
 23 consumer transaction, in which the amount of a deficiency or  
 24 surplus is in issue, the following rules apply:

25 a. a secured party need not prove compliance with the  
 26 provisions of this part relating to collection, enforcement,  
 27 disposition, or acceptance unless the debtor or a secondary  
 28 obligor places the secured party's compliance in issue.

29 b. if the secured party's compliance is placed in issue,  
 30 the secured party has the burden of establishing that the  
 31 collection, enforcement, disposition, or acceptance was  
 32 conducted in accordance with this part.

33 c. except as otherwise provided in section 554.9628, if a  
 34 secured party fails to prove that the collection, enforcement,  
 35 disposition, or acceptance was conducted in accordance with

1 the provisions of this part relating to collection,  
2 enforcement, disposition, or acceptance, the liability of a  
3 debtor or a secondary obligor for a deficiency is limited to  
4 an amount by which the sum of the secured obligation,  
5 expenses, and attorney's fees exceeds the greater of:

6 (1) the proceeds of the collection, enforcement,  
7 disposition, or acceptance; or

8 (2) the amount of proceeds that would have been realized  
9 had the noncomplying secured party proceeded in accordance  
10 with the provisions of this part relating to collection,  
11 enforcement, disposition, or acceptance.

12 d. for purposes of paragraph "c", subparagraph (2), the  
13 amount of proceeds that would have been realized is equal to  
14 the sum of the secured obligation, expenses, and attorney's  
15 fees unless the secured party proves that the amount is less  
16 than that sum.

17 e. if a deficiency or surplus is calculated under section  
18 554.9615, subsection 6, the debtor or obligor has the burden  
19 of establishing that the amount of proceeds of the disposition  
20 is significantly below the range of prices that a complying  
21 disposition to a person other than the secured party, a person  
22 related to the secured party, or a secondary obligor would  
23 have brought.

24 2. NONCONSUMER TRANSACTIONS -- NO INFERENCE. The  
25 limitation of the rules in subsection 1 to transactions other  
26 than consumer transactions is intended to leave to the court  
27 the determination of the proper rules in consumer  
28 transactions. The court may not infer from that limitation  
29 the nature of the proper rule in consumer transactions and may  
30 continue to apply established approaches.

31 Sec. 125. NEW SECTION. 554.9627 DETERMINATION OF WHETHER  
32 CONDUCT WAS COMMERCIALY REASONABLE.

33 1. GREATER AMOUNT OBTAINABLE UNDER OTHER CIRCUMSTANCES --  
34 NO PRECLUSION OF COMMERCIAL REASONABLENESS. The fact that a  
35 greater amount could have been obtained by a collection,

1 enforcement, disposition, or acceptance at a different time or  
2 in a different method from that selected by the secured party  
3 is not of itself sufficient to preclude the secured party from  
4 establishing that the collection, enforcement, disposition, or  
5 acceptance was made in a commercially reasonable manner.

6 2. DISPOSITIONS THAT ARE COMMERCIALY REASONABLE. A  
7 disposition of collateral is made in a commercially reasonable  
8 manner if the disposition is made:

- 9 a. in the usual manner on any recognized market;
- 10 b. at the price current in any recognized market at the  
11 time of the disposition; or
- 12 c. otherwise in conformity with reasonable commercial  
13 practices among dealers in the type of property that was the  
14 subject of the disposition.

15 3. APPROVAL BY COURT OR ON BEHALF OF CREDITORS. A  
16 collection, enforcement, disposition, or acceptance is  
17 commercially reasonable if it has been approved:

- 18 a. in a judicial proceeding;
- 19 b. by a bona fide creditors' committee;
- 20 c. by a representative of creditors; or
- 21 d. by an assignee for the benefit of creditors.

22 4. APPROVAL UNDER SUBSECTION 3 NOT NECESSARY -- ABSENCE OF  
23 APPROVAL HAS NO EFFECT. Approval under subsection 3 need not  
24 be obtained, and lack of approval does not mean that the  
25 collection, enforcement, disposition, or acceptance is not  
26 commercially reasonable.

27 Sec. 126. NEW SECTION. 554.9628 NONLIABILITY AND  
28 LIMITATION ON LIABILITY OF SECURED PARTY -- LIABILITY OF  
29 SECONDARY OBLIGOR.

30 1. LIMITATION OF LIABILITY OF SECURED PARTY FOR  
31 NONCOMPLIANCE WITH ARTICLE. Unless a secured party knows that  
32 a person is a debtor or obligor, knows the identity of the  
33 person, and knows how to communicate with the person:

- 34 a. the secured party is not liable to the person, or to a  
35 secured party or lienholder that has filed a financing

1 statement against the person, for failure to comply with this  
2 Article; and

3 b. the secured party's failure to comply with this Article  
4 does not affect the liability of the person for a deficiency.

5 2. LIMITATION OF LIABILITY BASED ON STATUS AS SECURED  
6 PARTY. A secured party is not liable because of its status as  
7 secured party:

8 a. to a person that is a debtor or obligor, unless the  
9 secured party knows:

10 (1) that the person is a debtor or obligor;

11 (2) the identity of the person; and

12 (3) how to communicate with the person; or

13 b. to a secured party or lienholder that has filed a  
14 financing statement against a person, unless the secured party  
15 knows:

16 (1) that the person is a debtor; and

17 (2) the identity of the person.

18 3. LIMITATION OF LIABILITY IF REASONABLE BELIEF THAT  
19 TRANSACTION NOT A CONSUMER-GOODS TRANSACTION OR CONSUMER  
20 TRANSACTION. A secured party is not liable to any person, and  
21 a person's liability for a deficiency is not affected, because  
22 of any act or omission arising out of the secured party's  
23 reasonable belief that a transaction is not a consumer-goods  
24 transaction or a consumer transaction or that goods are not  
25 consumer goods, if the secured party's belief is based on its  
26 reasonable reliance on:

27 a. a debtor's representation concerning the purpose for  
28 which collateral was to be used, acquired, or held; or

29 b. an obligor's representation concerning the purpose for  
30 which a secured obligation was incurred.

31 4. LIMITATION OF LIABILITY FOR STATUTORY DAMAGES. A  
32 secured party is not liable to any person under section  
33 554.9625, subsection 3, paragraph "b", for its failure to  
34 comply with section 554.9616.

35 5. LIMITATION OF MULTIPLE LIABILITY FOR STATUTORY DAMAGES.



1 A secured party is not liable under section 554.9625,  
2 subsection 3, paragraph "b", more than once with respect to  
3 any one secured obligation.

4 PART 7

5 TRANSITION

6 Sec. 127. NEW SECTION. 554.9701 EFFECTIVE DATE.

7 This Article takes effect on July 1, 2001.

8 Sec. 128. NEW SECTION. 554.9702 SAVINGS CLAUSE.

9 1. PRE-EFFECTIVE-DATE TRANSACTIONS OR LIENS. Except as  
10 otherwise provided in this part, this Act applies to a  
11 transaction or lien within its scope, even if the transaction  
12 or lien was entered into or created before this Act takes  
13 effect.

14 2. CONTINUING VALIDITY. Except as otherwise provided in  
15 subsection 3 and sections 554.9703, 554.9704, 554.9705,  
16 554.9706, 554.9707, and 554.9708:

17 a. transactions and liens that were not governed by former  
18 Article 9, were validly entered into or created before this  
19 Act takes effect, and would be subject to this Act if they had  
20 been entered into or created after this Act takes effect, and  
21 the rights, duties, and interests flowing from those  
22 transactions and liens remain valid after this Act takes  
23 effect; and

24 b. the transactions and liens may be terminated,  
25 completed, consummated, and enforced as required or permitted  
26 by this Act or by the law that otherwise would apply if this  
27 Act had not taken effect.

28 3. PRE-EFFECTIVE-DATE PROCEEDINGS. This Act does not  
29 affect an action, case, or proceeding commenced before this  
30 Act takes effect.

31 Sec. 129. NEW SECTION. 554.9703 SECURITY INTEREST  
32 PERFECTED BEFORE EFFECTIVE DATE.

33 1. CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION  
34 REQUIREMENTS SATISFIED. A security interest that is  
35 enforceable immediately before this Act takes effect and would

1 have priority over the rights of a person that becomes a lien  
2 creditor at that time is a perfected security interest under  
3 this Act if, when this Act takes effect, the applicable  
4 requirements for enforceability and perfection under this Act  
5 are satisfied without further action.

6 2. CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION  
7 REQUIREMENTS NOT SATISFIED. Except as otherwise provided in  
8 section 554.9705, if, immediately before this Act takes  
9 effect, a security interest is enforceable and would have  
10 priority over the rights of a person that becomes a lien  
11 creditor at that time, but the applicable requirements for  
12 enforceability or perfection under this Act are not satisfied  
13 when this Act takes effect, the security interest:

14 a. is a perfected security interest for one year after  
15 this Act takes effect;

16 b. remains enforceable thereafter only if the security  
17 interest becomes enforceable under section 554.9203 before the  
18 year expires; and

19 c. remains perfected thereafter only if the applicable  
20 requirements for perfection under this Act are satisfied  
21 before the year expires.

22 Sec. 130. NEW SECTION. 554.9704 SECURITY INTEREST  
23 UNPERFECTED BEFORE EFFECTIVE DATE.

24 A security interest that is enforceable immediately before  
25 this Act takes effect but which would be subordinate to the  
26 rights of a person that becomes a lien creditor at that time:

27 1. remains an enforceable security interest for one year  
28 after this Act takes effect;

29 2. remains enforceable thereafter if the security interest  
30 becomes enforceable under section 554.9203 when this Act takes  
31 effect or within one year thereafter; and

32 3. becomes perfected:

33 a. without further action, when this Act takes effect if  
34 the applicable requirements for perfection under this Act are  
35 satisfied before or at that time; or

1 b. when the applicable requirements for perfection are  
2 satisfied if the requirements are satisfied after that time.

3 Sec. 131. NEW SECTION. 554.9705 EFFECTIVENESS OF ACTION  
4 TAKEN BEFORE EFFECTIVE DATE.

5 1. PRE-EFFECTIVE-DATE ACTION -- ONE-YEAR PERFECTION PERIOD  
6 UNLESS REPERFECTED. If action, other than the filing of a  
7 financing statement, is taken before this Act takes effect and  
8 the action would have resulted in priority of a security  
9 interest over the rights of a person that becomes a lien  
10 creditor had the security interest become enforceable before  
11 this Act takes effect, the action is effective to perfect a  
12 security interest that attaches under this Act within one year  
13 after this Act takes effect. An attached security interest  
14 becomes unperfected one year after this Act takes effect  
15 unless the security interest becomes a perfected security  
16 interest under this Act before the expiration of that period.

17 2. PRE-EFFECTIVE-DATE FILING. The filing of a financing  
18 statement before this Act takes effect is effective to perfect  
19 a security interest to the extent the filing would satisfy the  
20 applicable requirements for perfection under this Act.

21 3. PRE-EFFECTIVE-DATE FILING IN JURISDICTION FORMERLY  
22 GOVERNING PERFECTION. This Act does not render ineffective an  
23 effective financing statement that, before this Act takes  
24 effect, is filed and satisfies the applicable requirements for  
25 perfection under the law of the jurisdiction governing  
26 perfection as provided in former section 554.9103. However,  
27 except as otherwise provided in subsections 4 and 5 and  
28 section 554.9706, the financing statement ceases to be  
29 effective at the earlier of:

30 a. the time the financing statement would have ceased to  
31 be effective under the law of the jurisdiction in which it is  
32 filed; or

33 b. June 30, 2006.

34 4. CONTINUATION STATEMENT. The filing of a continuation  
35 statement after this Act takes effect does not continue the

1 effectiveness of the financing statement filed before this Act  
2 takes effect. However, upon the timely filing of a  
3 continuation statement after this Act takes effect and in  
4 accordance with the law of the jurisdiction governing  
5 perfection as provided in part 3, the effectiveness of a  
6 financing statement filed in the same office in that  
7 jurisdiction before this Act takes effect continues for the  
8 period provided by the law of that jurisdiction.

9 5. APPLICATION OF SUBSECTION 3, PARAGRAPH "B", TO  
10 TRANSMITTING UTILITY FINANCING STATEMENT. Subsection 3,  
11 paragraph "b", applies to a financing statement that, before  
12 this Act takes effect, is filed against a transmitting utility  
13 and satisfies the applicable requirements for perfection under  
14 the law of the jurisdiction governing perfection as provided  
15 in former section 554.9103 only to the extent that part 3  
16 provides that the law of a jurisdiction other than the  
17 jurisdiction in which the financing statement is filed governs  
18 perfection of a security interest in collateral covered by the  
19 financing statement.

20 6. APPLICATION OF PART 5. A financing statement that  
21 includes a financing statement filed before this Act takes  
22 effect and a continuation statement filed after this Act takes  
23 effect is effective only to the extent that it satisfies the  
24 requirements of part 5 for an initial financing statement.

25 Sec. 132. NEW SECTION. 554.9706 WHEN INITIAL FINANCING  
26 STATEMENT SUFFICES TO CONTINUE EFFECTIVENESS OF FINANCING  
27 STATEMENT.

28 1. INITIAL FINANCING STATEMENT IN LIEU OF CONTINUATION  
29 STATEMENT. The filing of an initial financing statement in  
30 the office specified in section 554.9501 continues the  
31 effectiveness of a financing statement filed before this Act  
32 takes effect if:

33 a. the filing of an initial financing statement in that  
34 office would be effective to perfect a security interest under  
35 this Act;

1     b. the pre-effective-date financing statement was filed in  
2 an office in another state or another office in this state;  
3 and

4     c. the initial financing statement satisfies subsection 3.

5     2. PERIOD OF CONTINUED EFFECTIVENESS. The filing of an  
6 initial financing statement under subsection 1 continues the  
7 effectiveness of the pre-effective-date financing statement:

8     a. if the initial financing statement is filed before this  
9 Act takes effect, for the period provided in former section  
10 554.9403 with respect to a financing statement; and

11    b. if the initial financing statement is filed after this  
12 Act takes effect, for the period provided in section 554.9515  
13 with respect to an initial financing statement.

14    3. REQUIREMENTS FOR INITIAL FINANCING STATEMENT UNDER  
15 SUBSECTION 1. To be effective for purposes of subsection 1,  
16 an initial financing statement must:

17    a. satisfy the requirements of part 5 for an initial  
18 financing statement;

19    b. identify the pre-effective-date financing statement by  
20 indicating the office in which the financing statement was  
21 filed and providing the dates of filing and file numbers, if  
22 any, of the financing statement and of the most recent  
23 continuation statement filed with respect to the financing  
24 statement; and

25    c. indicate that the pre-effective-date financing  
26 statement remains effective.

27    Sec. 133. NEW SECTION. 554.9707 PERSONS ENTITLED TO FILE  
28 INITIAL FINANCING STATEMENT OR CONTINUATION STATEMENT.

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

31    1. the secured party of record authorizes the filing; and

32    2. the filing is necessary under this part:

33    a. to continue the effectiveness of a financing statement  
34 filed before this Act takes effect; or

35    b. to perfect or continue the perfection of a security

1 interest.

2 Sec. 134. NEW SECTION. 554.9708 PRIORITY.

3 1. LAW GOVERNING PRIORITY. This Act determines the  
4 priority of conflicting claims to collateral. However, if the  
5 relative priorities of the claims were established before this  
6 Act takes effect, former Article 9 determines priority.

7 2. PRIORITY IF SECURITY INTEREST BECOMES ENFORCEABLE UNDER  
8 SECTION 554.9203. For purposes of section 554.9322,  
9 subsection 1, the priority of a security interest that becomes  
10 enforceable under section 554.9203 of this Act dates from the  
11 time this Act takes effect if the security interest is  
12 perfected under this Act by the filing of a financing  
13 statement before this Act takes effect which would not have  
14 been effective to perfect the security interest under former  
15 Article 9. This subsection does not apply to conflicting  
16 security interests each of which is perfected by the filing of  
17 such a financing statement.

18 Sec. 135. NEW SECTION. 554.9709 "FORMER" DEFINED.

19 References in this part to "former Article 9" or a former  
20 section are to that Article or section as in effect  
21 immediately before this Act takes effect.

22 DIVISION II

23 CONFORMING AMENDMENTS TO CODE CHAPTER 554

24 Sec. 136. Section 554.1105, subsection 2, Code 1999, is  
25 amended to read as follows:

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

31 Rights of creditors against sold goods. Section 554.2402.

32 Applicability of the Article on Bank Deposits and  
33 Collections. Section 554.4102.

34 Letters of Credit. Section 554.5116.

35 Applicability of the Article on Investment Securities.

1 Section 554.8110.

2 ~~Perfection-provisions-of-the-Article-on-Secured~~

3 ~~Transactions--Section-554-9103-~~

4 Law governing perfection, the effect of perfection or  
5 nonperfection, and the priority of security interests and  
6 agricultural liens. Sections 554.9301, 554.9302, 554.9303,  
7 554.9304, 554.9305, 554.9306, and 554.9307.

8 Governing law in the Article on Funds Transfers. Section  
9 554.12507.

10 Applicability of the Article on Leases. Sections 554.13105  
11 and 554.13106.

12 Sec. 137. Section 554.1201, subsections 9 and 32, Code  
13 1999, are amended to read as follows:

14 9. "Buyer in ordinary course of business" means a person  
15 who that buys goods in good faith, and without knowledge that  
16 the sale to-that-person-is-in-violation-of violates the  
17 ownership rights or-security-interest of a-third-party another  
18 person in the goods buys, and in the ordinary course from a  
19 person, other than a pawnbroker, in the business of selling  
20 goods of that kind but-does-not-include-a-pawnbroker. All  
21 persons-who-sell-minerals-or-the-like-(including-oil-and-gas)  
22 at-wellhead-or-minehead-shall-be-deemed-to-be-persons A person  
23 buys goods in the ordinary course if the sale to the person  
24 comports with the usual or customary practices in the kind of  
25 business in which the seller is engaged or with the seller's  
26 own usual or customary practices. A person that sells oil,  
27 gas, or other minerals at the wellhead or minehead is a person  
28 in the business of selling goods of that kind. "Buying" A  
29 buyer in ordinary course of business may be buy for cash, or  
30 by exchange of other property, or on secured or unsecured  
31 credit, and includes-receiving may acquire goods or documents  
32 of title under a pre-existing contract for sale but-does-not  
33 include-a-transfer-in-bulk-or-as-security-for-or-in-total-or  
34 partial-satisfaction-of-a-money-debt. Only a buyer that takes  
35 possession of the goods or has a right to recover the goods

1 from the seller under article 2 may be a buyer in ordinary  
2 course of business. A person that acquires goods in a  
3 transfer in bulk or as security for or in total or partial  
4 satisfaction of a money debt is not a buyer in ordinary course  
5 of business.

6 32. "Purchase" means any voluntary transaction creating an  
7 interest in property, including taking by sale, discount,  
8 negotiation, mortgage, pledge, voluntary lien, security  
9 interest, issue, reissue, or gift.

10 Sec. 138. Section 554.1201, subsection 37, paragraph a,  
11 Code 1999, is amended to read as follows:

12 a. "Security interest" means an interest in personal  
13 property or fixtures which secures payment or performance of  
14 an obligation. ~~The retention or reservation of title by a~~  
15 ~~seller of goods notwithstanding shipment or delivery to the~~  
16 ~~buyer (section 554.2401) is limited in effect to a reservation~~  
17 ~~of a "security interest".~~ The term also includes any interest  
18 of a consignor and a buyer of accounts, or chattel paper  
19 which, a payment intangible, or a promissory note in a  
20 transaction that is subject to Article 9. The special  
21 property interest of a buyer of goods on identification of  
22 those goods to a contract for sale under section 554.2401 is  
23 not a "security interest", but a buyer may also acquire a  
24 "security interest" by complying with Article 9. ~~Unless a~~  
25 ~~consignment is intended as security, reservation of title~~  
26 ~~thereunder is not a "security interest", but a consignment in~~  
27 ~~any event is subject to the provisions on consignment sales~~  
28 ~~(section 554.2326).~~ Except as otherwise provided in section  
29 554.2505, the right of a seller or lessor of goods under  
30 Article 2 or 13 to retain or acquire possession of the goods  
31 is not a "security interest", but a seller or lessor may also  
32 acquire a "security interest" by complying with Article 9.  
33 The retention or reservation of title by a seller of goods  
34 notwithstanding shipment or delivery to the buyer (section  
35 554.2401) is limited in effect to a reservation of a "security



1 interest.

2 Sec. 139. Section 554.2103, subsection 3, Code 1999, is  
3 amended to read as follows:

4 3. The following definitions in other Articles apply to  
5 this Article:

6 "Check"	Section 554.3104
7 "Consignee"	Section 554.7102
8 "Consignor"	Section 554.7102
9 "Consumer goods"	<del>Section 554.9109</del>
10	<u>Section 554.9102</u>
11 "Dishonor"	Section 554.3502
12 "Draft"	Section 554.3104

13 Sec. 140. Section 554.2210, subsection 2, Code 1999, is  
14 amended to read as follows:

15 2. Unless Except as otherwise provided in section  
16 554.9406, unless otherwise agreed all rights of either seller  
17 or buyer can be assigned except where the assignment would  
18 materially change the duty of the other party, or increase  
19 materially the burden of risk imposed on the other party by  
20 the contract, or impair materially the other party's chance of  
21 obtaining return performance. A right to damages for breach  
22 of the whole contract or a right arising out of the assignor's  
23 due performance of the assignor's entire obligation can be  
24 assigned despite agreement otherwise.

25 Sec. 141. Section 554.2210, Code 1999, is amended by  
26 adding the following new subsection, and renumbering  
27 subsequent subsections:

28 NEW SUBSECTION. 3. The creation, attachment, perfection,  
29 or enforcement of a security interest in the seller's interest  
30 under a contract is not a transfer that materially changes the  
31 duty of or increases materially the burden or risk imposed on  
32 the buyer or impairs materially the buyer's chance of  
33 obtaining return performance within the purview of subsection  
34 2 unless, and then only to the extent that, enforcement  
35 actually results in a delegation of material performance of

1 the seller. Even in that event, the creation, attachment,  
2 perfection, and enforcement of the security interest remain  
3 effective, but (i) the seller is liable to the buyer for  
4 damages caused by the delegation to the extent that the  
5 damages could not reasonably be prevented by the buyer, and  
6 (ii) a court having jurisdiction may grant other appropriate  
7 relief, including cancellation of the contract for sale or an  
8 injunction against enforcement of the security interest or  
9 consummation of the enforcement.

10 Sec. 142. Section 554.2326, Code 1999, is amended to read  
11 as follows:

12 554.2326 SALE ON APPROVAL AND SALE OR RETURN --

13 ~~CONSIGNMENT-SALES-AND~~ RIGHTS OF CREDITORS.

14 1. Unless otherwise agreed, if delivered goods may be  
15 returned by the buyer even though they conform to the  
16 contract, the transaction is

17 a. a "sale on approval" if the goods are delivered  
18 primarily for use, and

19 b. a "sale or return" if the goods are delivered primarily  
20 for resale.

21 2. ~~Except-as-provided-in-subsection-37-goods~~ Goods held on  
22 approval are not subject to the claims of the buyer's  
23 creditors until acceptance; goods held on sale or return are  
24 subject to such claims while in the buyer's possession.

25 ~~3.--Where-goods-are-delivered-to-a-person-for-sale-and-such~~  
26 ~~person-maintains-a-place-of-business-at-which-that-person~~  
27 ~~deals-in-goods-of-the-kind-involved, under-a-name-other-than~~  
28 ~~the-name-of-the-person-making-delivery, then-with-respect-to~~  
29 ~~claims-of-creditors-of-the-person-conducting-the-business-the~~  
30 ~~goods-are-deemed-to-be-on-sale-or-return.--The-provisions-of~~  
31 ~~this-subsection-are-applicable-even-though-an-agreement~~  
32 ~~purports-to-reserve-title-to-the-person-making-delivery-until~~  
33 ~~payment-or-resale-or-uses-such-words-as-"on-consignment"-or~~  
34 ~~"on-memorandum".--However, this-subsection-is-not-applicable~~  
35 ~~if-the-person-making-delivery~~

1 a--complies-with-an-applicable-law-providing-for-a  
 2 consignor's-interest-or-the-like-to-be-evidenced-by-a-sign-or  
 3 b--establishes-that-the-person-conducting-the-business-is  
 4 generally-known-by-creditors-of-the-person-conducting-the  
 5 business-to-be-substantially-engaged-in-selling-the-goods-of  
 6 others-or  
 7 c--complies-with-the-filing-provisions-of-the-Article-on  
 8 Secured-Transactions-(Article-9)-

9 4- 3. Any "or return" term of a contract for sale is to be  
 10 treated as a separate contract for sale within the statute of  
 11 frauds section of this Article (section 554.2201) and as  
 12 contradicting the sale aspect of the contract within the  
 13 provisions of this Article on parol or extrinsic evidence  
 14 (section 554.2202).

15 Sec. 143. Section 554.2502, Code 1999, is amended to read  
 16 as follows:

17 554.2502 BUYER'S RIGHT TO GOODS ON SELLER'S REPUDIATION,  
 18 FAILURE TO DELIVER, OR INSOLVENCY.

19 1. Subject to ~~subsection~~ subsections 2 and 3 and even  
 20 though the goods have not been shipped a buyer who has paid a  
 21 part or all of the price of goods in which the buyer has a  
 22 special property under the provisions of the immediately  
 23 preceding section may on making and keeping good a tender of  
 24 any unpaid portion of their price recover them from the seller  
 25 if:

26 a. in the case of goods bought for personal, family, or  
 27 household purposes, the seller repudiates or fails to deliver  
 28 as required by the contract; or

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

31 2. The buyer's right to recover the goods under subsection  
 32 1, paragraph "a", vests upon acquisition of a special  
 33 property, even if the seller had not then repudiated or failed  
 34 to deliver.

35 2- 3. If the identification creating the buyer's special

1 property has been made by the buyer, the buyer acquires the  
2 right to recover the goods only if they conform to the  
3 contract for sale.

4 Sec. 144. Section 554.2716, subsection 3, Code 1999, is  
5 amended to read as follows:

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

16 Sec. 145. Section 554.4210, subsection 3, paragraph a,  
17 Code 1999, is amended to read as follows:

18 a. no security agreement is necessary to make the security  
19 interest enforceable (section 554.9203, subsection ± 2,  
20 paragraph "a" "c", subparagraph (1));

21 Sec. 146. NEW SECTION. 554.5118 SECURITY INTEREST OF  
22 ISSUER OR NOMINATED PERSON.

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

27 2. So long as and to the extent that an issuer or  
28 nominated person has not been reimbursed or has not otherwise  
29 recovered the value given with respect to a security interest  
30 in a document under subsection 1, the security interest  
31 continues and is subject to Article 9, but:

32 a. a security agreement is not necessary to make the  
33 security interest enforceable under section 554.9203,  
34 subsection 2, paragraph "c";

35 b. if the document is presented in a medium other than a

1 written or other tangible medium, the security interest is  
2 perfected; and

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

9 Sec. 147. Section 554.7503, subsection 1, paragraph a,  
10 Code 1999, is amended to read as follows:

11 a. delivered or entrusted them or any document of title  
12 covering them to the bailor or the bailor's nominee with  
13 actual or apparent authority to ship, store or sell or with  
14 power to obtain delivery under this Article (section 554.7403)  
15 or with power of disposition under this chapter (sections  
16 554.2403 and ~~554-9307~~ 554.9320) or other statute or rule of  
17 law; nor

18 Sec. 148. Section 554.8103, subsection 6, Code 1999, is  
19 amended to read as follows:

20 6. A commodity contract, as defined in section ~~554-9115~~  
21 554.9102, subsection 1, paragraph "o", is not a security or a  
22 financial asset.

23 Sec. 149. Section 554.8106, subsections 4 and 6, Code  
24 1999, are amended to read as follows:

25 4. A purchaser has "control" of a security entitlement if:

- 26 a. the purchaser becomes the entitlement holder; or
- 27 b. the securities intermediary has agreed that it will
- 28 comply with entitlement orders originated by the purchaser
- 29 without further consent by the entitlement holder; or

30 c. another person has control of the security entitlement  
31 on behalf of the purchaser or, having previously acquired  
32 control of the security entitlement, acknowledges that it has  
33 control on behalf of the purchaser.

34 6. A purchaser who has satisfied the requirements of  
35 subsection ~~3-paragraph-"b"~~, or subsection 4, paragraph-~~"b"~~

1 has control, even if the registered owner in the case of  
2 subsection 3, paragraph "b", or the entitlement holder in the  
3 case of subsection 4, paragraph-"b", retains the right to make  
4 substitutions for the uncertificated security or security  
5 entitlement, to originate instructions or entitlement orders  
6 to the issuer or securities intermediary, or otherwise to deal  
7 with the uncertificated security or security entitlement.

8 Sec. 150. Section 554.8110, subsection 5, paragraphs a  
9 through d, Code 1999, are amended to read as follows:

10 a. if an agreement between the securities intermediary and  
11 its entitlement holder ~~specifies that it is governed by the~~  
12 ~~law of a particular jurisdiction governing the securities~~  
13 account expressly provides that a particular jurisdiction is  
14 the securities intermediary's jurisdiction for purposes of  
15 this part, this Article, or this [Act], that jurisdiction is  
16 the securities intermediary's jurisdiction.

17 b. if paragraph "a" does not apply and an agreement  
18 between the securities intermediary and its entitlement holder  
19 governing the securities account expressly provides that the  
20 agreement is governed by the law of a particular jurisdiction,  
21 that jurisdiction is the securities intermediary's  
22 jurisdiction.

23 c. if neither paragraph "a" nor paragraph "b" applies and  
24 an agreement between the securities intermediary and its  
25 entitlement holder ~~does not specify the governing law as~~  
26 ~~provided in paragraph "a", but governing the securities~~  
27 account expressly specifies provides that the securities  
28 account is maintained at an office in a particular  
29 jurisdiction, that jurisdiction is the securities  
30 intermediary's jurisdiction.

31 c. d. ~~if an agreement between the securities intermediary~~  
32 ~~and its entitlement holder does not specify a jurisdiction as~~  
33 ~~provided in paragraph "a" or "b" none of the preceding~~  
34 paragraphs applies, the securities intermediary's jurisdiction  
35 is the jurisdiction in which ~~is located~~ the office identified

1 in an account statement as the office serving the entitlement  
2 holder's account is located.

3 ~~d. e. if an agreement between the securities intermediary~~  
4 ~~and its entitlement holder does not specify a jurisdiction as~~  
5 ~~provided in paragraph "a" or "b" and an account statement does~~  
6 ~~not identify an office serving the entitlement holder's~~  
7 ~~account as provided in paragraph "c"~~ none of the preceding  
8 paragraphs applies, the securities intermediary's jurisdiction  
9 is the jurisdiction in which ~~is located~~ the chief executive  
10 office of the securities intermediary is located.

11 Sec. 151. Section 554.8301, subsection 1, paragraph c,  
12 Code 1999, is amended to read as follows:

13 c. a securities intermediary acting on behalf of the  
14 purchaser acquires possession of the security certificate,  
15 only if the certificate is in registered form and has been is  
16 (i) registered in the name of the purchaser, (ii) payable to  
17 the order of the purchaser, or (iii) specially indorsed to the  
18 purchaser by an effective indorsement and has not been  
19 indorsed to the securities intermediary or in blank.

20 Sec. 152. Section 554.8302, subsection 1, Code 1999, is  
21 amended to read as follows:

22 1. Except as otherwise provided in subsections 2 and 3,  
23 ~~upon delivery a purchaser~~ of a certificated or uncertificated  
24 ~~security to a purchaser, the purchaser~~ acquires all rights in  
25 the security that the transferor had or had power to transfer.

26 Sec. 153. Section 554.8510, Code 1999, is amended to read  
27 as follows:

28 554.8510 RIGHTS OF PURCHASER OF SECURITY ENTITLEMENT FROM  
29 ENTITLEMENT HOLDER.

30 1. ~~An~~ In a case not covered by the priority rules in  
31 Article 9 or the rules stated in subsection 3, an action based  
32 on an adverse claim to a financial asset or security  
33 entitlement, whether framed in conversion, replevin,  
34 constructive trust, equitable lien, or other theory, may not  
35 be asserted against a person who purchases a security

1 entitlement, or an interest therein, from an entitlement  
2 holder if the purchaser gives value, does not have notice of  
3 the adverse claim, and obtains control.

4 2. If an adverse claim could not have been asserted  
5 against an entitlement holder under section 554.8502, the  
6 adverse claim cannot be asserted against a person who  
7 purchases a security entitlement, or an interest therein, from  
8 the entitlement holder.

9 3. In a case not covered by the priority rules in Article  
10 9, a purchaser for value of a security entitlement, or an  
11 interest therein, who obtains control has priority over a  
12 purchaser of a security entitlement, or an interest therein,  
13 who does not obtain control. Purchasers Except as otherwise  
14 provided in subsection 4, purchasers who have control rank  
15 equally, -except-that-a according to priority in time of:

16 a. the purchaser's becoming the person for whom the  
17 securities account, in which the security entitlement is  
18 carried, is maintained, if the purchaser obtained control  
19 under section 554.8106, subsection 4, paragraph "a";

20 b. the securities intermediary's agreement to comply with  
21 the purchaser's entitlement orders with respect to security  
22 entitlements carried or to be carried in the securities  
23 account in which the security entitlement is carried, if the  
24 purchaser obtained control under section 554.8106, subsection  
25 4, paragraph "b";

26 c. if the purchaser obtained control through another  
27 person under section 554.8106, subsection 4, paragraph "c",  
28 the time on which priority would be based under this  
29 subsection if the other person were the secured party; or

30 4. A securities intermediary as purchaser has priority  
31 over a conflicting purchaser who has control unless otherwise  
32 agreed by the securities intermediary.

33 Sec. 154. Section 554.11108, Code 1999, is amended to read  
34 as follows:

35 554.11108 PRESUMPTION THAT RULE OF LAW CONTINUES



1 UNCHANGED.

2 Unless a change in law has clearly been made, the  
3 provisions of this chapter as amended shall be deemed  
4 declaratory of the meaning of this chapter prior to amendment.  
5 ~~The first sentence of section 554.9402, subsection 7, shall be~~  
6 ~~deemed to be a change in law.~~

7 Sec. 155. Section 554.13103, subsection 3, Code 1999, is  
8 amended to read as follows:

9 3. The following definitions in other Articles apply to  
10 this Article:

- 11 "Account" Section ~~554.9106~~ 554.9102,
- 12 subsection 1, paragraph "b"
- 13 "Between merchants" Section 554.2104,
- 14 subsection 3
- 15 "Buyer" Section 554.2103,
- 16 subsection 1, paragraph "a"
- 17 "Chattel paper" Section ~~554.9105~~ 554.9102,
- 18 subsection 1, paragraph "~~b~~" "k"
- 19 "Consumer goods" Section ~~554.9109~~ 554.9102,
- 20 subsection 1, paragraph "w"
- 21 "Document" Section ~~554.9105~~ 554.9102,
- 22 subsection 1, paragraph "~~f~~" "ad"
- 23 "Entrusting" Section 554.2403,
- 24 subsection 3
- 25 ~~"General intangibles"-----Section-554.9106~~
- 26 "General intangible" Section 554.9102,
- 27 subsection 1, paragraph "ap"
- 28 "Good faith" Section 554.2103,
- 29 subsection 1, paragraph "b"
- 30 "Instrument" Section ~~554.9105~~ 554.9102,
- 31 subsection 1, paragraph "~~i~~" "au"
- 32 "Merchant" Section 554.2104,
- 33 subsection 1
- 34 "Mortgage" Section ~~554.9105~~ 554.9102,
- 35 subsection 1, paragraph "~~j~~" "bc"

1 "Pursuant to commitment" Section 554-9105 554.9102,  
2 subsection 1, paragraph "k" "bq"  
3 "Receipt" Section 554.2103,  
4 subsection 1, paragraph "c"  
5 "Sale" Section 554.2106,  
6 subsection 1  
7 "Sale on approval" Section 554.2326  
8 "Sale or return" Section 554.2326  
9 "Seller" Section 554.2103,  
10 subsection 1, paragraph "d"

11 Sec. 156. Section 554.13303, subsections 1 through 5, Code  
12 1999, are amended to read as follows:

13 1. As used in this section, "creation of a security  
14 interest" includes the sale of a lease contract that is  
15 subject to Article 9, Secured Transactions, by reason of  
16 section 554-9102 554.9109, subsection 1, paragraph "b" "c".

17 2. Except as provided in ~~subsections~~ subsection 3 and 4,  
18 and section 554.9407, a provision in a lease agreement which  
19 (i) prohibits the voluntary or involuntary transfer, including  
20 a transfer by sale, sublease, creation or enforcement of a  
21 security interest, or attachment, levy, or other judicial  
22 process, of an interest of a party under the lease contract or  
23 of the lessor's residual interest in the goods, or (ii) makes  
24 such a transfer an event of default, gives rise to the rights  
25 and remedies provided in subsection 5 4, but a transfer that  
26 is prohibited or is an event of default under the lease  
27 agreement is otherwise effective.

28 ~~3. A provision in a lease agreement which (i) prohibits~~  
29 ~~the creation or enforcement of a security interest in an~~  
30 ~~interest of a party under the lease contract or in the~~  
31 ~~lessor's residual interest in the goods, or (ii) makes such a~~  
32 ~~transfer an event of default, is not enforceable unless, and~~  
33 ~~then only to the extent that, there is an actual transfer by~~  
34 ~~the lessee of the lessee's right of possession or use of the~~  
35 ~~goods in violation of the provision or an actual delegation of~~

1 a-material-performance-of-either-party-to-the-lease-contract  
2 in-violation-of-the-provision,--Neither-the-granting-nor-the  
3 enforcement-of-a-security-interest-in-(i)-the-lessor's  
4 interest-under-the-lease-contract-or-(ii)-the-lessor's  
5 residual-interest-in-the-goods-is-a-transfer-that-materially  
6 impairs-the-prospect-of-obtaining-return-performance-by  
7 materially-changes-the-duty-of,or-materially-increases-the  
8 burden-or-risk-imposed-on, the-lessee-within-the-purview-of  
9 subsection-5-unless, and-then-only-to-the-extent-that, there  
10 is-an-actual-delegation-of-a-material-performance-of-the  
11 lessor.

12 4. 3. A provision in a lease agreement which (i) prohibits  
13 a transfer of a right to damages for default with respect to  
14 the whole lease contract or of a right to payment arising out  
15 of the transferor's due performance of the transferor's entire  
16 obligation, or (ii) makes such a transfer an event of default,  
17 is not enforceable, and such a transfer is not a transfer that  
18 materially impairs the prospect of obtaining return  
19 performance by, materially changes the duty of, or materially  
20 increases the burden or risk imposed on, the other party to  
21 the lease contract within the purview of subsection 5 4.

22 5. 4. Subject to subsections subsection 3 and 4 section  
23 554.9407:

24 a. if a transfer is made which is made an event of default  
25 under a lease agreement, the party to the lease contract not  
26 making the transfer, unless that party waives the default or  
27 otherwise agrees, has the rights and remedies described in  
28 section 554.13501, subsection 2;

29 b. if paragraph "a" is not applicable and if a transfer is  
30 made that (i) is prohibited under a lease agreement or (ii)  
31 materially impairs the prospect of obtaining return  
32 performance by, materially changes the duty of, or materially  
33 increases the burden or risk imposed on, the other party to  
34 the lease contract, unless the party not making the transfer  
35 agrees at any time to the transfer in the lease contract or

1 otherwise, then, except as limited by contract, (i) the  
2 transferor is liable to the party not making the transfer for  
3 damages caused by the transfer to the extent that the damages  
4 could not reasonably be prevented by the party not making the  
5 transfer and (ii) a court having jurisdiction may grant other  
6 appropriate relief, including cancellation of the lease  
7 contract or an injunction against the transfer.

8 Sec. 157. Section 554.13307, subsections 1 through 4, Code  
9 1999, are amended by striking the subsections and inserting in  
10 lieu thereof the following:

11 1. Except as otherwise provided in section 554.13306, a  
12 creditor of a lessee takes subject to the lease contract.

13 2. Except as otherwise provided in subsection 3 and in  
14 sections 554.13306 and 554.13308, a creditor of a lessor takes  
15 subject to the lease contract unless the creditor holds a lien  
16 that attached to the goods before the lease contract became  
17 enforceable.

18 3. Except as otherwise provided in sections 554.9317,  
19 554.9321, and 554.9323, a lessee takes a leasehold interest  
20 subject to a security interest held by a creditor of the  
21 lessor.

22 Sec. 158. Section 554.13309, subsection 1, paragraph b,  
23 Code 1999, is amended to read as follows:

24 b. a "fixture filing" is the filing, in the office where a  
25 record of a mortgage on the real estate would be filed or  
26 recorded, of a financing statement covering goods that are or  
27 are to become fixtures and conforming to the requirements of  
28 section ~~554-9402~~ 554.9502, ~~subsection-5~~ subsections 1 and 2;

29 DIVISION III

30 AMENDMENTS IN OTHER CODE CHAPTERS

31 Sec. 159. Section 15E.91, subsection 7, Code 1999, is  
32 amended to read as follows:

33 7. A copy of each pledge agreement by or to the  
34 corporation, including without limitation each bond  
35 resolution, indenture of trust, or similar agreement, or any

1 revisions or supplements to it shall be filed with the  
 2 secretary of state and no further filing or other action under  
 3 ~~sections-554-9101-to-554-9507~~ chapter 554, article 9 of the  
 4 uniform commercial code, or any other law of the state is  
 5 required to perfect the security interest in the collateral or  
 6 any additions to it or substitutions for it, and the lien and  
 7 trust created are binding from and after the time made against  
 8 all parties having claims of any kind in tort, contract, or  
 9 otherwise against the pledgor.

10 Sec. 160. Section 16.26, subsection 7, Code 1999, is  
 11 amended to read as follows:

12 7. A copy of each pledge agreement by or to the authority,  
 13 including without limitation each bond resolution, indenture  
 14 of trust or similar agreement, or any revisions or supplements  
 15 to it shall be filed with the secretary of state and no  
 16 further filing or other action under ~~sections-554-9101-to~~  
 17 ~~554-9507~~ chapter 554, article 9 of the uniform commercial  
 18 code, or any other law of the state shall be required to  
 19 perfect the security interest in the collateral or any  
 20 additions to it or substitutions for it, and the lien and  
 21 trust so created shall be binding from and after the time made  
 22 against all parties having claims of any kind in tort,  
 23 contract, or otherwise against the pledgor.

24 Sec. 161. Section 16A.9, subsection 7, Code 1999, is  
 25 amended to read as follows:

26 7. A copy of each pledge agreement by or to the authority,  
 27 including without limitation each obligation resolution,  
 28 indenture of trust or similar agreement, or any revisions or  
 29 supplements to it shall be filed with the secretary of state  
 30 and no further filing or other action under ~~sections-554-9101~~  
 31 ~~to-554-9507~~ chapter 554, article 9 of the uniform commercial  
 32 code, or any other law of the state shall be required to  
 33 perfect the security interest in the collateral or any  
 34 additions to it or substitutions for it, and the lien and  
 35 trust so created shall be binding from and after the time made

1 against all parties having claims of any kind in tort,  
2 contract, or otherwise against the pledgor.

3 Sec. 162. Section 203.12A, subsections 2, 7, and 9, Code  
4 1999, are amended to read as follows:

5 2. "Grain dealer assets" includes proceeds received or due  
6 a grain dealer upon the sale, including exchange, collection,  
7 or other disposition, of grain sold by the grain dealer. As  
8 used in this section, "proceeds" means noncash and cash  
9 proceeds as ~~provided~~ defined in section ~~554-9306~~ 554.9102.

10 "Grain dealer assets" also includes any other funds or  
11 property of the grain dealer which can be directly traced as  
12 being from the sale of grain by the grain dealer, or which  
13 were utilized in the business operation of the grain dealer.  
14 A court, upon petition by an affected party, may order that  
15 claimed grain dealer assets are not grain dealer assets as  
16 defined in this section. The burden of proof shall be upon  
17 the petitioner to establish that the assets are not grain  
18 dealer assets as defined in this section.

19 7. A lien statement filed under this section shall be a  
20 security interest perfected under chapter 554 and subject to  
21 the same priority as provided under section ~~554-9312~~ 554.9322.

22 9. The board may enforce the lien in the manner provided  
23 in chapter 554, article 9, part 5 6, for the enforcement of  
24 security interests. If, upon enforcement of the lien, the  
25 lien amount is satisfied in full without exhaustion of the  
26 grain dealer assets, the remaining assets shall be returned to  
27 the grain dealer or, if there are competing claims to those  
28 remaining assets by other creditors, shall place those assets  
29 in the custody of the district court and implead the known  
30 creditors.

31 For purposes of enforcement of the lien, the board is  
32 deemed to be the secured party and the grain dealer is deemed  
33 to be the debtor, and each has the respective rights and  
34 duties of a secured party and a debtor as provided in chapter  
35 554, article 9, part 5 6. If a right or duty under chapter

1 554, article 9, part 5 6, is contingent upon the existence of  
2 express language in a security agreement, or may be waived by  
3 express language in a security agreement, the requisite  
4 language is deemed not to exist for purposes of enforcement of  
5 the lien created by this section.

6 Sec. 163. Section 203C.12A, subsections 2, 7, and 9, Code  
7 1999, are amended to read as follows:

8 2. "Warehouse operator assets" includes proceeds received  
9 or due a warehouse operator upon the sale, including exchange,  
10 collection, or other disposition, of grain sold by the  
11 warehouse operator. As used in this section, "proceeds" means  
12 noncash and cash proceeds as provided defined in section  
13 ~~554-9306~~ 554.9102. "Warehouse operator assets" also includes  
14 storage payments received or due to a warehouse operator,  
15 grain owned by the warehouse operator, and any other funds or  
16 property of the warehouse operator which can be directly  
17 traced as being from the sale of grain by the warehouse  
18 operator, or which were utilized in the business operation of  
19 the warehouse operator. A court, upon petition by an affected  
20 party, may order that claimed warehouse operator assets are  
21 not warehouse operator assets as defined in this section. The  
22 burden of proof shall be upon the petitioner to establish that  
23 the assets are not warehouse operator assets as defined in  
24 this section.

25 7. A lien statement filed under this section shall be a  
26 security interest perfected under chapter 554 and subject to  
27 the same priority as provided under section ~~554-9312~~ 554.9322.

28 9. The Iowa grain indemnity fund board may enforce the  
29 lien in the manner provided in chapter 554, article 9, part 5  
30 6, for the enforcement of security interests. If, upon  
31 enforcement of the lien, the lien amount is satisfied in full  
32 without exhaustion of the warehouse operator assets, the  
33 remaining assets shall be returned to the warehouse operator  
34 or, if there are competing claims to those remaining assets by  
35 other creditors, those assets shall be placed in the custody

1 of the district court and the known creditors impleaded.

2 For purposes of enforcement of the lien, the board is  
3 deemed to be the secured party and the warehouse operator is  
4 deemed to be the debtor, and each has the respective rights  
5 and duties of a secured party and a debtor as provided in  
6 chapter 554, article 9, part 5 6. If a right or duty under  
7 chapter 554, article 9, part 5 6, is contingent upon the  
8 existence of express language in a security agreement, or may  
9 be waived by express language in a security agreement, the  
10 requisite language is deemed not to exist for purposes of  
11 enforcement of the lien created by this section.

12 Sec. 164. Section 321.47, unnumbered paragraph 2, Code  
13 Supplement 1999, is amended to read as follows:

14 The persons entitled under the laws of descent and  
15 distribution of an intestate's property to the possession and  
16 ownership of a vehicle owned in whole or in part by a  
17 decedent, upon filing an affidavit stating the name and date  
18 of death of the decedent, the right to possession and  
19 ownership of the persons filing the affidavit, and that there  
20 has been no administration of the decedent's estate, which  
21 instrument shall also contain an agreement to indemnify  
22 creditors of the decedent who would be entitled to levy  
23 execution upon the motor vehicle to the extent of the value of  
24 the motor vehicle, are entitled upon fulfilling the other  
25 requirements of this chapter, to the issuance of a  
26 registration card for the interest of the decedent in the  
27 vehicle and a certificate of title to it. If a decedent dies  
28 testate, and either the will is not probated or is admitted to  
29 probate without administration, the persons entitled to the  
30 possession and ownership of a vehicle owned in whole or in  
31 part by the decedent may file an affidavit, and upon  
32 fulfilling the other requirements of this chapter, are  
33 entitled to the issuance of a registration card for the  
34 interest of the decedent in the vehicle and a certificate of  
35 title to the vehicle. The affidavit shall contain the same



1 information and indemnity agreement as is required in cases of  
 2 intestacy pursuant to this section. No A requirement of  
 3 chapter 450 or 451 shall not be considered satisfied by the  
 4 filing of the affidavit provided for in this section. If,  
 5 from the records in the office of the county treasurer, there  
 6 appear to be any liens on the vehicle, the certificate of  
 7 title shall contain a statement of the liens unless the  
 8 application is accompanied by proper evidence of their  
 9 satisfaction or extinction. Evidence of extinction may  
 10 consist of, but is not limited to, an affidavit of the  
 11 applicant stating that a security interest was foreclosed as  
 12 provided in chapter 554, article 9, part 5 6.

13 Sec. 165. Section 321.50, subsection 1, Code Supplement  
 14 1999, is amended to read as follows:

15 1. A security interest in a vehicle subject to  
 16 registration under the laws of this state or a mobile home or  
 17 manufactured housing, except trailers whose empty weight is  
 18 two thousand pounds or less, and except new or used vehicles  
 19 held by a dealer or manufacturer as inventory for sale, is  
 20 perfected by the delivery to the county treasurer of the  
 21 county where the certificate of title was issued or, in the  
 22 case of a new certificate, to the county treasurer where the  
 23 certificate will be issued, of an application for certificate  
 24 of title which lists the security interest, or an application  
 25 for notation of security interest signed by the owner, or by  
 26 one owner of a vehicle owned jointly by more than one person,  
 27 or a certificate of title from another jurisdiction which  
 28 shows the security interest, and a fee of five dollars for  
 29 each security interest shown. If the owner or secured party  
 30 is in possession of the certificate of title, it must also be  
 31 delivered at this time in order to perfect the security  
 32 interest. If a vehicle is subject to a security interest when  
 33 brought into this state, the validity of the security interest  
 34 and the date of perfection is determined by section 554-9103  
 35 554.9303. Delivery as provided in this subsection is an

1 indication of a security interest on a certificate of title  
2 for purposes of chapter 554.

3 Sec. 166. Section 322.21, Code Supplement 1999, is amended  
4 to read as follows:

5 322.21 REMAINING BALANCE ON TRADE VEHICLE.

6 The extension of credit by a retail seller to a retail  
7 buyer, pursuant to a retail installment contract, of the  
8 amount actually paid or to be paid by the retail seller to  
9 discharge a purchase money security interest, as defined  
10 provided in section ~~554-9107~~ 554.9103, on a motor vehicle  
11 traded in by the retail buyer shall not subject the retail  
12 seller to the provisions of chapter 536 or 536A.

13 Sec. 167. Section 331.602, subsection 28, Code Supplement  
14 1999, is amended to read as follows:

15 28. Carry out duties relating to the filing of financing  
16 statements or instruments as provided in ~~sections-554-9401-to~~  
17 ~~554-9400~~ chapter 554, article 9, part 5.

18 Sec. 168. Section 331.609, subsection 3, paragraph a,  
19 subparagraph (1), Code 1999, is amended to read as follows:

20 (1) If the filing officer is the secretary of state, the  
21 secretary shall cause the notice to be marked, held, and  
22 indexed in accordance with section ~~554-9403, subsection-4~~  
23 554.9519, as if the notice were a financing statement within  
24 the-meaning-of-that-section as provided in chapter 554,  
25 article 9, part 5.

26 Sec. 169. Section 461A.6, Code 1999, is amended to read as  
27 follows:

28 461A.6 COSTS -- LIEN.

29 The cost of such removal shall be paid by the owner of said  
30 pier, wharf, sluice, piling, wall, fence, obstruction,  
31 erection or building, and the state shall have a lien upon the  
32 property removed for such costs. Said costs shall be payable  
33 at the time of removal and such lien may be enforced and  
34 foreclosed, as provided for the foreclosure of security  
35 interests in Uniform Commercial Code, chapter 554, article 9,

1 part 5 6.

2 Sec. 170. Section 537.5103, subsections 2 and 3, Code  
3 1999, are amended to read as follows:

4 2. If the seller repossesses or voluntarily accepts  
5 surrender either of goods which were the subject of the sale  
6 and in which the seller has a security interest, or of goods  
7 which were not the subject of the sale but in which the seller  
8 has a security interest to secure a debt arising from a sale  
9 of goods or services or a combined sale of goods and services,  
10 the seller's duty to dispose of the collateral is governed by  
11 the provisions on disposition of collateral in sections  
12 554-9501-to-554-9507 chapter 554, article 9, part 6.

13 3. If a lender takes possession or voluntarily accepts  
14 surrender of goods in which the lender has a security interest  
15 to secure a debt arising from a consumer loan, the lender's  
16 duty to dispose of the collateral is governed by the  
17 provisions on disposition of collateral in sections-554-9501  
18 to-554-9507 chapter 554, article 9, part 6.

19 Sec. 171. Section 539.1, Code 1999, is amended to read as  
20 follows:

21 539.1 ASSIGNMENT OF NONNEGOTIABLE INSTRUMENTS.

22 Bonds, due bills, and all instruments by which the maker  
23 promises to pay another, without words of negotiability, a sum  
24 of money, or by which the maker promises to pay a sum of money  
25 in property or labor, or to pay or deliver any property or  
26 labor, or acknowledges any money, labor, or property to be  
27 due, are assignable by endorsement on the instrument, or by  
28 other writing. The assignee, including a person who takes  
29 assignment for collection in the regular course of business,  
30 has a right of action on them in the assignee's own name,  
31 subject to any defense or counterclaim which the maker or  
32 debtor had against an assignor of the instrument before notice  
33 of the assignment. In case of conflict between this section  
34 and sections section 554.5112, 554.5113, 554.5114, and  
35 554-93187-sections 554.9404, or 554.9405, section 554.5112,

1 554.5113, 554.5114, ~~and-554-9318-controls~~ 554.9404, or 554.9405  
2 controls.

3 Sec. 172. Section 539.2, Code 1999, is amended to read as  
4 follows:

5 539.2 ASSIGNMENT PROHIBITED BY INSTRUMENT.

6 When by the terms of an instrument its assignment is  
7 prohibited, an assignment thereof shall nevertheless be valid,  
8 but the maker may make use of any defense or counterclaim  
9 against the assignee which the maker may have against any  
10 assignor thereof before notice of such assignment is given to  
11 the maker in writing. In case of conflict between this  
12 section and ~~sections~~ section 554.5112, 554.5113, 554.5114, and  
13 ~~554-9318-sections~~ 554.9404, or 554.9405, section 554.5112,  
14 554.5113, 554.5114, ~~and-554-9318-controls~~ 554.9404, or 554.9405  
15 controls.

16 Sec. 173. Section 539.3, Code 1999, is amended to read as  
17 follows:

18 539.3 ASSIGNMENT OF OPEN ACCOUNT.

19 An open account of sums of money due on contract may be  
20 assigned. The assignee, including a person who takes  
21 assignment for collection in the regular course of business,  
22 has a right of action on the account in the assignee's own  
23 name, subject to the defenses and counterclaims allowed  
24 against the instruments mentioned in section 539.2, before  
25 notice of the assignment is given to the debtor in writing by  
26 the assignee. In case of conflict Uniform Commercial Code,  
27 section ~~554-9318~~ 554.9404 or 554.9405, controls.

28 Sec. 174. Section 554B.1, Code 1999, is amended to read as  
29 follows:

30 554B.1 DEFINITIONS.

31 As used in this chapter "transmitting utility" has the same  
32 meaning as defined in the Uniform Commercial Code, section  
33 ~~554-91057-subsection-17-paragraph-"n"~~ 554.9102, subsection 1.  
34 Security interests filed pursuant to this chapter prior to  
35 January 1, 1975, which have not been terminated, are deemed to

1 be filed in accordance with section ~~554-9401~~ 554.9501,  
2 subsection 5 2.

3 Sec. 175. Section 570A.4, subsection 4, Code 1999, is  
4 amended to read as follows:

5 4. The secretary of state shall note the filing of a lien  
6 statement under this section in the manner provided by chapter  
7 554, the uniform commercial code, and shall charge a fee as  
8 provided under section ~~554-9403~~ 554.9525.

9 Sec. 176. Section 570A.6, Code 1999, is amended to read as  
10 follows:

11 570A.6 ENFORCEMENT OF LIEN.

12 The holder of a lien perfected under this chapter may  
13 enforce the lien in the manner provided ~~in~~ for agricultural  
14 liens pursuant to chapter 554, article 9, part 5 6, for the  
15 enforcement of security interests. For purposes of  
16 enforcement of the lien, the lienholder is deemed to be the  
17 secured party, and the farmer for whom the agricultural  
18 chemical, seed, feed, or petroleum product was furnished is  
19 deemed to be the debtor, and each has the respective rights  
20 and duties of a secured party and a debtor as provided in  
21 chapter 554, article 9, part 5 6. Where a right or duty under  
22 chapter 554, article 9, part 5 6, is contingent upon the  
23 existence of express language in a security agreement, or may  
24 be waived by express language in a security agreement, the  
25 requisite language is deemed not to exist for purposes of  
26 enforcement of the lien created by this chapter.

27 Sec. 177. Section 571.5, Code 1999, is amended to read as  
28 follows:

29 571.5 ~~FORECLOSURE~~ ENFORCEMENT OF LIEN.

30 Said A lien as provided in this chapter may be foreclosed  
31 enforced in the manner provided ~~in~~ for agricultural liens  
32 pursuant to the Uniform Commercial Code, chapter 554, Article  
33 9, Part 5 6.

34 Sec. 178. Section 579A.3, unnumbered paragraph 1, Code  
35 1999, is amended to read as follows:

1 While the cattle are located at the custom cattle feedlot,  
2 the custom cattle feedlot operator may foreclose a lien  
3 created in section 579A.2 in the manner provided for the  
4 ~~foreclosure-of-secured-transactions~~ enforcement of an  
5 agricultural lien as provided in ~~sections-554-9504, -554-9506,~~  
6 ~~and-554-9507~~ chapter 554, article 9, part 6. After the cattle  
7 have left the custom cattle feedlot, the custom cattle feedlot  
8 operator may enforce the lien by commencing an action at law  
9 for the amount of the lien against either of the following:

10 Sec. 179. Section 579B.3, subsection 1, paragraph a,  
11 subparagraph (1), subparagraph subdivision (c), Code  
12 Supplement 1999, is amended to read as follows:

13 (c) If the livestock is slaughtered by the contractor, the  
14 lien shall be on any property of the contractor that may be  
15 subject to a security interest as provided in section ~~554-9102~~  
16 554.9109.

17 Sec. 180. Section 579B.3, subsection 1, paragraph a,  
18 subparagraph (2), subparagraph subdivision (c), Code  
19 Supplement 1999, is amended to read as follows:

20 (c) If the raw milk is processed by the contractor, the  
21 lien shall be on any property of the contractor that may be  
22 subject to a security interest as provided in section ~~554-9102~~  
23 554.9109.

24 Sec. 181. Section 579B.3, subsection 2, paragraph a,  
25 subparagraph (3), Code Supplement 1999, is amended to read as  
26 follows:

27 (3) If the crop is processed by the contractor, the lien  
28 shall be on any property of the contractor that may be subject  
29 to a security interest as provided in section ~~554-9102~~  
30 554.9109.

31 Sec. 182. Section 579B.5, Code Supplement 1999, is amended  
32 to read as follows:

33 579B.5 ENFORCEMENT.

34 Before a commodity leaves the authority of the contract  
35 producer as provided in section 579B.3, the contract producer

1 may ~~foreclose~~ enforce a lien created in that section in the  
 2 manner provided for the ~~foreclosure-of-secured-transactions~~  
 3 enforcement of an agricultural lien as provided in sections  
 4 ~~554:9504, 554:9506, and 554:9507~~ chapter 554, article 9, part  
 5 6. After the commodity is no longer under the authority of  
 6 the contract producer, the contract producer may enforce the  
 7 lien in the manner provided in chapter 554, article 9, part 5  
 8 6.

9 DIVISION IV

10 REPEALS AND EFFECTIVE DATE

11 Sec. 183. Sections 554.9101 through 554.9507, Code 2001,  
 12 are repealed.

13 Sec. 184. Section 554.11105, Code 2001, is repealed.

14 Sec. 185. EFFECTIVE DATE. This Act takes effect July 1,  
 15 2001.

16 EXPLANATION

17 This bill adopts revisions to Article 9 of the Uniform  
 18 Commercial Code (Code chapter 554) as proposed by the national  
 19 conference of commissioners on uniform state laws, including  
 20 conforming amendments to a number of Articles within that  
 21 chapter and other chapters providing for security interests  
 22 and liens.

23 With limited exceptions, Article 9 governs the creation,  
 24 priority, and enforcement of creditors' consensual liens,  
 25 which are defined as security interests in personal property  
 26 and fixtures.

27 The Article provides generally for the effectiveness of  
 28 security agreements, the rights and duties of creditors (i.e.,  
 29 secured parties), including parties having possession and  
 30 control of collateral. The Article governs the attachment and  
 31 enforceability of security interests or proceeds from the sale  
 32 of collateral. Much of the Article provides for "perfecting"  
 33 a security interest, usually accomplished by filing a  
 34 financing statement. The Article provides for the contents of  
 35 financing statements and the location where such financing

1 statements must be filed (e.g., with the secretary of state).  
2 In perfecting a security interest, a debtor is generally  
3 assured rights in the collateral which is superior to a  
4 security interest perfected later in time. The Article  
5 provides special rules of perfection for specific collateral  
6 such as farm products. It provides that perfection may be  
7 accomplished without filing (e.g., by possession). It also  
8 provides special rules for collateral purchased by consumers.  
9 However, a fundamental purpose of perfection is to provide  
10 notice of rights in the collateral by the person perfecting  
11 the interest. The Article also provides for who has priority  
12 in controlling the collateral or proceeds from the sale of the  
13 collateral, usually based on who first perfected a security  
14 interest. Finally, the Article provides for enforcement of  
15 security interests in case of a default, which includes the  
16 right of a secured party to dispose of collateral following  
17 notification, and the application of proceeds resulting from  
18 the disposition.

19 This bill revises Article 9 for the first time since 1972,  
20 by expanding the scope of property and transactions covered by  
21 Article 9 and changing the manner in which security interests  
22 are created, perfected, provided priority, and enforced. For  
23 example, the bill provides for electronic authentication of  
24 documents. It expands its scope to cover more property  
25 including "accounts" and "proceeds". For example, under the  
26 bill, the revised Article includes rights arising out of the  
27 license of property and the distributions on stock. The bill  
28 amends provisions governing perfection other than by filing  
29 effective financing statements. For example, it provides that  
30 possession or control may be used as a method to perfect  
31 deposit accounts, letter of credit rights, and electronic  
32 chattel paper. It also provides for the automatic perfection  
33 of a security interest. Under the bill, revised Article 9  
34 changes methods of filing financing statements, including by  
35 electronic filing. The bill provides a number of changes in



1 which a security interest is enforced in case of default. It  
 2 provides that a low price obtained at a foreclosure sale does  
 3 not alone make the sale commercially unreasonable as required  
 4 in the Article. It provides that guarantors of an obligation  
 5 are entitled to the same notice and protections as the debtor.  
 6 The bill allows a secured party to retain collateral in  
 7 satisfaction of a debt, regardless of whether the secured  
 8 party is in possession of the collateral.

9 The bill amends a number of other Code provisions which  
 10 refer to Article 9. Many Code chapters provide special liens,  
 11 including liens for agricultural supply dealers (Code chapter  
 12 570A), artisans (Code chapter 577), custom cattle feedlots  
 13 (Code chapter 579A), contract producers of commodities (Code  
 14 chapter 579B), threshers and cornshellers (Code chapter 571),  
 15 and veterinarians (Code chapter 581). Some of the chapters  
 16 provide that persons filing liens created under the chapter  
 17 enjoy super priority. The bill provides special rules for  
 18 agricultural liens which become effective under statute when a  
 19 lienor files a financing statement.

20  
 21  
 22  
 23  
 24  
 25  
 26  
 27  
 28  
 29  
 30  
 31  
 32  
 33  
 34  
 35

REPRINTED

FEB 29 2000

Place On Calendar

HOUSE FILE 2513  
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 736)

(P.637) Passed House, Date 3/8/00 (P.1029) Passed Senate, Date 4/5/00  
 Vote: Ayes 88 Nays 0 Vote: Ayes 47 Nays 0  
 Approved 4/26/00

A BILL FOR

1 An Act providing for secured transactions under the uniform  
 2 commercial code, by adopting new Article 9, eliminating  
 3 conflicting provisions, and providing an effective date.  
 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

HF 2513

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIVISION I  
ARTICLE 9 AMENDMENTS  
ARTICLE 9 -- SECURED TRANSACTIONS  
PART 1  
GENERAL PROVISIONS

A. SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS

Section 1. NEW SECTION. 554.9101 SHORT TITLE.

This Article may be cited as Uniform Commercial Code --  
Secured Transactions.

Sec. 2. NEW SECTION. 554.9102 DEFINITIONS AND INDEX OF  
DEFINITIONS.

1. ARTICLE 9 DEFINITIONS. In this Article:

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

b. "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. The term includes health-care-insurance  
receivables. The term 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

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

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

7 d. "Accounting", except as used in "accounting for", means  
8 a record:

9 (1) authenticated by a secured party;

10 (2) indicating the aggregate unpaid secured obligations as  
11 of a date not more than thirty-five days earlier or thirty-  
12 five days later than the date of the record; and

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

15 e. "Agricultural lien" means an interest, other than a  
16 security interest, in farm products:

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

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

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

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

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

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

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

31 f. "As-extracted collateral" means:

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

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

1 (b) attaches to the minerals as extracted; or  
2 (2) accounts arising out of the sale at the wellhead or  
3 minehead of oil, gas, or other minerals in which the debtor  
4 had an interest before extraction.

5 g. "Authenticate" means:

6 (1) to sign; or

7 (2) to execute or otherwise adopt a symbol, or encrypt or  
8 similarly process a record in whole or in part, with the  
9 present intent of the authenticating person to identify the  
10 person and adopt or accept a record.

11 h. "Bank" means an organization that is engaged in the  
12 business of banking. The term includes savings banks, savings  
13 and loan associations, credit unions, and trust companies.

14 i. "Cash proceeds" means proceeds that are money, checks,  
15 deposit accounts, or the like.

16 j. "Certificate of title" means a certificate of title  
17 with respect to which a statute provides for the security  
18 interest in question to be indicated on the certificate as a  
19 condition or result of the security interest's obtaining  
20 priority over the rights of a lien creditor with respect to  
21 the collateral.

22 k. "Chattel paper" means a record or records that evidence  
23 both a monetary obligation and a security interest in specific  
24 goods, a security interest in specific goods and software used  
25 in the goods, a security interest in specific goods and  
26 license of software used in the goods, a lease of specific  
27 goods, or a lease of specific goods and license of software  
28 used in the goods. In this paragraph, "monetary obligation"  
29 means a monetary obligation secured by the goods or owed under  
30 a lease of the goods and includes a monetary obligation with  
31 respect to software used in the goods. The term does not  
32 include charters or other contracts involving the use or hire  
33 of a vessel. If a transaction is evidenced by records that  
34 include an instrument or series of instruments, the group of  
35 records taken together constitutes chattel paper.

1 1. "Collateral" means the property subject to a security  
2 interest or agricultural lien. The term includes:

3 (1) proceeds to which a security interest attaches;

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

6 (3) goods that are the subject of a consignment.

7 m. "Commercial tort claim" means a claim arising in tort  
8 with respect to which:

9 (1) the claimant is an organization; or

10 (2) the claimant is an individual and the claim:

11 (a) arose in the course of the claimant's business or  
12 profession; and

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

15 n. "Commodity account" means an account maintained by a  
16 commodity intermediary in which a commodity contract is  
17 carried for a commodity customer.

18 o. "Commodity contract" means a commodity futures  
19 contract, an option on a commodity futures contract, a  
20 commodity option, or another contract if the contract or  
21 option is:

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

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

28 p. "Commodity customer" means a person for which a  
29 commodity intermediary carries a commodity contract on its  
30 books.

31 q. "Commodity intermediary" means a person that:

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

34 (2) in the ordinary course of its business provides  
35 clearance or settlement services for a board of trade that has

1 been designated as a contract market pursuant to federal  
2 commodities law.

3 r. "Communicate" means:

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

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

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

10 s. "Consignee" means a merchant to which goods are  
11 delivered in a consignment.

12 t. "Consignment" means a transaction, regardless of its  
13 form, in which a person delivers goods to a merchant for the  
14 purpose of sale and:

15 (1) the merchant:

16 (a) deals in goods of that kind under a name other than  
17 the name of the person making delivery;

18 (b) is not an auctioneer; and

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

21 (2) with respect to each delivery, the aggregate value of  
22 the goods is one thousand dollars or more at the time of  
23 delivery;

24 (3) the goods are not consumer goods immediately before  
25 delivery; and

26 (4) the transaction does not create a security interest  
27 that secures an obligation.

28 u. "Consignor" means a person that delivers goods to a  
29 consignee in a consignment.

30 v. "Consumer debtor" means a debtor in a consumer  
31 transaction.

32 w. "Consumer goods" means goods that are used or bought  
33 for use primarily for personal, family, or household purposes.

34 x. "Consumer-goods transaction" means a consumer  
35 transaction in which:

1 (1) an individual incurs an obligation primarily for  
2 personal, family, or household purposes; and

3 (2) a security interest in consumer goods secures the  
4 obligation.

5 y. "Consumer obligor" means an obligor who is an  
6 individual and who incurred the obligation as part of a  
7 transaction entered into primarily for personal, family, or  
8 household purposes.

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

15 aa. "Continuation statement" means an amendment of a  
16 financing statement which:

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

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

22 ab. "Debtor" means:

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

26 (2) a seller of accounts, chattel paper, payment  
27 intangibles, or promissory notes; or

28 (3) a consignee.

29 ac. "Deposit account" means a demand, time, savings,  
30 passbook, or similar account maintained with a bank. The term  
31 does not include investment property or accounts evidenced by  
32 an instrument.

33 ad. "Document" means a document of title or a receipt of  
34 the type described in section 554.7201, subsection 2.

35 ae. "Electronic chattel paper" means chattel paper



1 evidenced by a record or records consisting of information  
2 stored in an electronic medium.

3 af. "Encumbrance" means a right, other than an ownership  
4 interest, in real property. The term includes mortgages and  
5 other liens on real property.

6 ag. "Equipment" means goods other than inventory, farm  
7 products, or consumer goods.

8 ah. "Farm products" means goods, other than standing  
9 timber, with respect to which the debtor is engaged in a  
10 farming operation and which are:

11 (1) crops grown, growing, or to be grown, including:

12 (a) crops produced on trees, vines, and bushes; and

13 (b) aquatic goods produced in aquacultural operations;

14 (2) livestock, born or unborn, including aquatic goods  
15 produced in aquacultural operations;

16 (3) supplies used or produced in a farming operation; or

17 (4) products of crops or livestock in their unmanufactured  
18 states.

19 ai. "Farming operation" means raising, cultivating,  
20 propagating, fattening, grazing, or any other farming,  
21 livestock, or aquacultural operation.

22 aj. "File number" means the number assigned to an initial  
23 financing statement pursuant to section 554.9519, subsection  
24 1.

25 ak. "Filing office" means an office designated in section  
26 554.9501 as the place to file a financing statement.

27 al. "Filing-office rule" means a rule adopted pursuant to  
28 section 554.9526.

29 am. "Financing statement" means a record or records  
30 composed of an initial financing statement and any filed  
31 record relating to the initial financing statement.

32 an. "Fixture filing" means the filing of a financing  
33 statement covering goods that are or are to become fixtures  
34 and satisfying section 554.9502, subsections 1 and 2. The  
35 term includes the filing of a financing statement covering

1 goods of a transmitting utility which are or are to become  
2 fixtures.

3     ao. "Fixtures" means goods that have become so related to  
4 particular real property that an interest in them arises under  
5 real property law.

6     ap. "General intangible" means any personal property,  
7 including things in action, other than accounts, chattel  
8 paper, commercial tort claims, deposit accounts, documents,  
9 goods, instruments, investment property, letter-of-credit  
10 rights, letters of credit, money, and oil, gas, or other  
11 minerals before extraction. The term includes payment  
12 intangibles and software.

13     aq. "Good faith" means honesty in fact and the observance  
14 of reasonable commercial standards of fair dealing.

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

35     as. "Governmental unit" means a subdivision, agency,

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

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

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

21 av. "Inventory" means goods, other than farm products,  
22 which:

23 (1) are leased by a person as lessor;

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

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

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

30 aw. "Investment property" means a security, whether  
31 certificated or uncertificated, security entitlement,  
32 securities account, commodity contract, or commodity account.

33 ax. "Jurisdiction of organization", with respect to a  
34 registered organization, means the jurisdiction under whose  
35 law the organization is organized.

1 ay. "Letter-of-credit right" means a right to payment or  
2 performance under a letter of credit, whether or not the  
3 beneficiary has demanded or is at the time entitled to demand  
4 payment or performance. The term does not include the right  
5 of a beneficiary to demand payment or performance under a  
6 letter of credit.

7 az. "Lien creditor" means:

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

10 (2) an assignee for benefit of creditors from the time of  
11 assignment;

12 (3) a trustee in bankruptcy from the date of the filing of  
13 the petition; or

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

15 ba. "Manufactured home" means a structure, transportable  
16 in one or more sections, which, in the traveling mode, is  
17 eight body feet or more in width or forty body feet or more in  
18 length, or, when erected on site, is three hundred twenty or  
19 more square feet, and which is built on a permanent chassis  
20 and designed to be used as a dwelling with or without a  
21 permanent foundation when connected to the required utilities,  
22 and includes the plumbing, heating, air-conditioning, and  
23 electrical systems contained therein. The term includes any  
24 structure that meets all of the requirements of this paragraph  
25 except the size requirements and with respect to which the  
26 manufacturer voluntarily files a certification required by the  
27 United States secretary of housing and urban development and  
28 complies with the standards established under Title 42 of the  
29 United States Code.

30 bb. "Manufactured-home transaction" means a secured  
31 transaction:

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

35 (2) in which a manufactured home, other than a

1 manufactured home held as inventory, is the primary  
2 collateral.

3 bc. "Mortgage" means a consensual interest in real  
4 property, including fixtures, which secures payment or  
5 performance of an obligation.

6 bd. "New debtor" means a person that becomes bound as  
7 debtor under section 554.9203, subsection 4, by a security  
8 agreement previously entered into by another person.

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

14 bf. "Noncash proceeds" means proceeds other than cash  
15 proceeds.

16 bg. "Obligor" means a person that, with respect to an  
17 obligation secured by a security interest in or an  
18 agricultural lien on the collateral, (i) owes payment or other  
19 performance of the obligation, (ii) has provided property  
20 other than the collateral to secure payment or other  
21 performance of the obligation, or (iii) is otherwise  
22 accountable in whole or in part for payment or other  
23 performance of the obligation. The term does not include  
24 issuers or nominated persons under a letter of credit.

25 bh. "Original debtor" means a person that, as debtor,  
26 entered into a security agreement to which a new debtor has  
27 become bound under section 554.9203, subsection 4.

28 bi. "Payment intangible" means a general intangible under  
29 which the account debtor's principal obligation is a monetary  
30 obligation.

31 bj. "Person related to", with respect to an individual,  
32 means:

33 (1) the spouse of the individual;

34 (2) a brother, brother-in-law, sister, or sister-in-law of  
35 the individual;

1 (3) an ancestor or lineal descendant of the individual or  
2 the individual's spouse; or

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

6 bk. "Person related to", with respect to an organization,  
7 means:

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

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

12 (3) an officer or director of, or a person performing  
13 similar functions with respect to, a person described in  
14 subparagraph (1);

15 (4) the spouse of an individual described in subparagraph  
16 (1), (2), or (3); or

17 (5) an individual who is related by blood or marriage to  
18 an individual described in subparagraph (1), (2), (3), or (4)  
19 and shares the same home with the individual.

20 bl. "Proceeds" means the following property:

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

23 (2) whatever is collected on, or distributed on account  
24 of, collateral;

25 (3) rights arising out of collateral;

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

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

34 bm. "Promissory note" means an instrument that evidences a  
35 promise to pay a monetary obligation, does not evidence an

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

4 bn. "Proposal" means a record authenticated by a secured  
5 party which includes the terms on which the secured party is  
6 willing to accept collateral in full or partial satisfaction  
7 of the obligation it secures pursuant to sections 554.9620,  
8 554.9621, and 554.9622.

9 bo. "Public-finance transaction" means a secured  
10 transaction in connection with which:

11 (1) debt securities are issued;

12 (2) all or a portion of the securities issued have an  
13 initial stated maturity of at least twenty years; and

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

18 bp. "Pursuant to commitment", with respect to an advance  
19 made or other value given by a secured party, means pursuant  
20 to the secured party's obligation, whether or not a subsequent  
21 event of default or other event not within the secured party's  
22 control has relieved or may relieve the secured party from its  
23 obligation.

24 bq. "Record", except as used in "for record", "of record",  
25 "record or legal title", and "record owner", means information  
26 that is inscribed on a tangible medium or which is stored in  
27 an electronic or other medium and is retrievable in  
28 perceivable form.

29 br. "Registered organization" means an organization  
30 organized solely under the law of a single state or the United  
31 States and as to which the state or the United States must  
32 maintain a public record showing the organization to have been  
33 organized.

34 bs. "Secondary obligor" means an obligor to the extent  
35 that:

1 (1) the obligor's obligation is secondary; or  
2 (2) the obligor has a right of recourse with respect to an  
3 obligation secured by collateral against the debtor, another  
4 obligor, or property of either.

5 bt. "Secured party" means:

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

9 (2) a person that holds an agricultural lien;

10 (3) a consignor;

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

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

16 (6) a person that holds a security interest arising under  
17 section 554.2401, 554.2505, 554.2711, subsection 3, section  
18 554.4210, 554.5118, or 554.13508, subsection 5.

19 bu. "Security agreement" means an agreement that creates  
20 or provides for a security interest.

21 bv. "Send", in connection with a record or notification,  
22 means:

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

27 (2) to cause the record or notification to be received  
28 within the time that it would have been received if properly  
29 sent under subparagraph (1).

30 bw. "Software" means a computer program and any supporting  
31 information provided in connection with a transaction relating  
32 to the program. The term does not include a computer program  
33 that is included in the definition of goods.

34 bx. "State" means a state of the United States, the  
35 District of Columbia, Puerto Rico, the United States Virgin



1 Islands, or any territory or insular possession subject to the  
2 jurisdiction of the United States.

3 by. "Supporting obligation" means a letter-of-credit right  
4 or secondary obligation that supports the payment or  
5 performance of an account, chattel paper, a document, a  
6 general intangible, an instrument, or investment property.

7 bz. "Tangible chattel paper" means chattel paper evidenced  
8 by a record or records consisting of information that is  
9 inscribed on a tangible medium.

10 ca. "Termination statement" means an amendment of a  
11 financing statement which:

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

14 (2) indicates either that it is a termination statement or  
15 that the identified financing statement is no longer  
16 effective.

17 cb. "Transmitting utility" means a person primarily  
18 engaged in the business of:

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

21 (2) transmitting communications electrically,  
22 electromagnetically, or by light;

23 (3) transmitting goods by pipeline or sewer; or

24 (4) transmitting or producing and transmitting  
25 electricity, steam, gas, or water.

26 2. DEFINITIONS IN OTHER ARTICLES. The following  
27 definitions in other Articles apply to this Article:

28 "Applicant"	Section 554.5102
29 "Beneficiary"	Section 554.5102
30 "Broker"	Section 554.8102
31 "Certificated security"	Section 554.8102
32 "Check"	Section 554.3104
33 "Clearing corporation"	Section 554.8102
34 "Contract for sale"	Section 554.2106
35 "Customer"	Section 554.4104

1	"Entitlement holder"	Section 554.8102
2	"Financial asset"	Section 554.8102
3	"Holder in due course"	Section 554.3302
4	"Issuer" (with respect to a letter of	
5	credit or letter-of-credit right)	Section 554.5102
6	"Issuer" (with respect to a security)	Section 554.8201
7	"Lease"	Section 554.13103
8	"Lease agreement"	Section 554.13103
9	"Lease contract"	Section 554.13103
10	"Leasehold interest"	Section 554.13103
11	"Lessee"	Section 554.13103
12	"Lessee in ordinary course of business"	Section 554.13103
13	"Lessor"	Section 554.13103
14	"Lessor's residual interest"	Section 554.13103
15	"Letter of credit"	Section 554.5102
16	"Merchant"	Section 554.2104
17	"Negotiable instrument"	Section 554.3104
18	"Nominated person"	Section 554.5102
19	"Note"	Section 554.3104
20	"Proceeds of a letter of credit"	Section 554.5114
21	"Prove"	Section 554.3103
22	"Sale"	Section 554.2106
23	"Securities account"	Section 554.8501
24	"Securities intermediary"	Section 554.8102
25	"Security"	Section 554.8102
26	"Security certificate"	Section 554.8102
27	"Security entitlement"	Section 554.8102
28	"Uncertificated security"	Section 554.8102

29 3. ARTICLE 1 DEFINITIONS AND PRINCIPLES. Article 1

30 contains general definitions and principles of construction  
31 and interpretation applicable throughout this Article.

32 4. FEDERAL FOOD SECURITY ACT. For purposes of the Federal  
33 Food Security Act, 7 U.S.C. § 1631, written notice shall be  
34 considered to be received by the person to whom it was  
35 delivered if the notice is delivered in hand to the person, or

1 mailed by certified or registered mail with the proper postage  
2 and properly addressed to the person to whom it was sent. The  
3 refusal of a person to whom a notice is so mailed to accept  
4 delivery of the notice shall be considered receipt.

5 Sec. 3. NEW SECTION. 554.9103 PURCHASE-MONEY SECURITY  
6 INTEREST -- APPLICATION OF PAYMENTS -- BURDEN OF ESTABLISHING.

7 1. DEFINITIONS. In this section:

8 a. "purchase-money collateral" means goods or software  
9 that secures a purchase-money obligation incurred with respect  
10 to that collateral; and

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

15 2. PURCHASE-MONEY SECURITY INTEREST IN GOODS. A security  
16 interest in goods is a purchase-money security interest:

17 a. to the extent that the goods are purchase-money  
18 collateral with respect to that security interest;

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

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

28 3. PURCHASE-MONEY SECURITY INTEREST IN SOFTWARE. A  
29 security interest in software is a purchase-money security  
30 interest to the extent that the security interest also secures  
31 a purchase-money obligation incurred with respect to goods in  
32 which the secured party holds or held a purchase-money  
33 security interest if:

34 a. the debtor acquired its interest in the software in an  
35 integrated transaction in which it acquired an interest in the

1 goods; and

2     b. the debtor acquired its interest in the software for  
3 the principal purpose of using the software in the goods.

4     4. CONSIGNOR'S INVENTORY PURCHASE-MONEY SECURITY INTEREST.

5 The security interest of a consignor in goods that are the  
6 subject of a consignment is a purchase-money security interest  
7 in inventory.

8     5. APPLICATION OF PAYMENT IN NONCONSUMER-GOODS

9 TRANSACTION. In a transaction other than a consumer-goods  
10 transaction, if the extent to which a security interest is a  
11 purchase-money security interest depends on the application of  
12 a payment to a particular obligation, the payment must be  
13 applied:

14     a. in accordance with any reasonable method of application  
15 to which the parties agree;

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

19     c. in the absence of an agreement to a reasonable method  
20 and a timely manifestation of the obligor's intention, in the  
21 following order:

22         (1) to obligations that are not secured; and

23         (2) if more than one obligation is secured, to obligations  
24 secured by purchase-money security interests in the order in  
25 which those obligations were incurred.

26     6. NO LOSS OF STATUS OF PURCHASE-MONEY SECURITY INTEREST  
27 IN NONCONSUMER-GOODS TRANSACTION. In a transaction other than  
28 a consumer-goods transaction, a purchase-money security  
29 interest does not lose its status as such, even if:

30     a. the purchase-money collateral also secures an  
31 obligation that is not a purchase-money obligation;

32     b. collateral that is not purchase-money collateral also  
33 secures the purchase-money obligation; or

34     c. the purchase-money obligation has been renewed,  
35 refinanced, consolidated, or restructured.

1 7. BURDEN OF PROOF IN NONCONSUMER-GOODS TRANSACTION. In a  
2 transaction other than a consumer-goods transaction, a secured  
3 party claiming a purchase-money security interest has the  
4 burden of establishing the extent to which the security  
5 interest is a purchase-money security interest.

6 8. NONCONSUMER-GOODS TRANSACTIONS -- NO INFERENCE. The  
7 limitation of the rules in subsections 5, 6, and 7 to  
8 transactions other than consumer-goods transactions is  
9 intended to leave to the court the determination of the proper  
10 rules in consumer-goods transactions. The court may not infer  
11 from that limitation the nature of the proper rule in  
12 consumer-goods transactions and may continue to apply  
13 established approaches.

14 Sec. 4. NEW SECTION. 554.9104 CONTROL OF DEPOSIT  
15 ACCOUNT.

16 1. REQUIREMENTS FOR CONTROL. A secured party has control  
17 of a deposit account if:

- 18 a. the secured party is the bank with which the deposit  
19 account is maintained;
- 20 b. the debtor, secured party, and bank have agreed in an  
21 authenticated record that the bank will comply with  
22 instructions originated by the secured party directing  
23 disposition of the funds in the deposit account without  
24 further consent by the debtor; or
- 25 c. the secured party becomes the bank's customer with  
26 respect to the deposit account.

27 2. DEBTOR'S RIGHT TO DIRECT DISPOSITION. A secured party  
28 that has satisfied subsection 1 has control, even if the  
29 debtor retains the right to direct the disposition of funds  
30 from the deposit account.

31 Sec. 5. NEW SECTION. 554.9105 CONTROL OF ELECTRONIC  
32 CHATTEL PAPER.

33 A secured party has control of electronic chattel paper if  
34 the record or records comprising the chattel paper are  
35 created, stored, and assigned in such a manner that:

- 1 1. a single authoritative copy of the record or records
- 2 exists which is unique, identifiable and, except as otherwise
- 3 provided in subsections 4, 5, and 6, unalterable;
- 4 2. the authoritative copy identifies the secured party as
- 5 the assignee of the record or records;
- 6 3. the authoritative copy is communicated to and
- 7 maintained by the secured party or its designated custodian;
- 8 4. copies or revisions that add or change an identified
- 9 assignee of the authoritative copy can be made only with the
- 10 participation of the secured party;
- 11 5. each copy of the authoritative copy and any copy of a
- 12 copy is readily identifiable as a copy that is not the
- 13 authoritative copy; and

14 6. any revision of the authoritative copy is readily  
15 identifiable as an authorized or unauthorized revision.

16 Sec. 6. NEW SECTION. 554.9106 CONTROL OF INVESTMENT  
17 PROPERTY.

18 1. CONTROL UNDER SECTION 554.8106. A person has control  
19 of a certificated security, uncertificated security, or  
20 security entitlement as provided in section 554.8106.

21 2. CONTROL OF COMMODITY CONTRACT. A secured party has  
22 control of a commodity contract if:

- 23 a. the secured party is the commodity intermediary with
- 24 which the commodity contract is carried; or
- 25 b. the commodity customer, secured party, and commodity
- 26 intermediary have agreed that the commodity intermediary will
- 27 apply any value distributed on account of the commodity
- 28 contract as directed by the secured party without further
- 29 consent by the commodity customer.

30 3. EFFECT OF CONTROL OF SECURITIES ACCOUNT OR COMMODITY  
31 ACCOUNT: A secured party having control of all security  
32 entitlements or commodity contracts carried in a securities  
33 account or commodity account has control over the securities  
34 account or commodity account.

35 Sec. 7. NEW SECTION. 554.9107 CONTROL OF LETTER-OF-

1 CREDIT RIGHT.

2 A secured party has control of a letter-of-credit right to  
3 the extent of any right to payment or performance by the  
4 issuer or any nominated person if the issuer or nominated  
5 person has consented to an assignment of proceeds of the  
6 letter of credit under section 554.5114, subsection 3, or  
7 otherwise applicable law or practice.

8 Sec. 8. NEW SECTION. 554.9108 SUFFICIENCY OF  
9 DESCRIPTION.

10 1. SUFFICIENCY OF DESCRIPTION. Except as otherwise  
11 provided in subsections 3, 4, and 5, a description of personal  
12 or real property is sufficient, whether or not it is specific,  
13 if it reasonably identifies what is described.

14 2. EXAMPLES OF REASONABLE IDENTIFICATION. Except as  
15 otherwise provided in subsection 4, a description of  
16 collateral reasonably identifies the collateral if it  
17 identifies the collateral by:

18 a. specific listing;

19 b. category;

20 c. except as otherwise provided in subsection 5, a type of  
21 collateral defined in this chapter;

22 d. quantity;

23 e. computational or allocational formula or procedure; or

24 f. except as otherwise provided in subsection 3, any other  
25 method, if the identity of the collateral is objectively  
26 determinable.

27 3. SUPERGENERIC DESCRIPTION NOT SUFFICIENT. A description  
28 of collateral as "all the debtor's assets" or "all the  
29 debtor's personal property" or using words of similar import  
30 does not reasonably identify the collateral.

31 4. INVESTMENT PROPERTY. Except as otherwise provided in  
32 subsection 5, a description of a security entitlement,  
33 securities account, or commodity account is sufficient if it  
34 describes:

35 a. the collateral by those terms or as investment

1 property; or

2 b. the underlying financial asset or commodity contract.

3 5. WHEN DESCRIPTION BY TYPE INSUFFICIENT. A description  
4 only by type of collateral defined in this chapter is an  
5 insufficient description of:

6 a. a commercial tort claim; or

7 b. in a consumer transaction, consumer goods, a security  
8 entitlement, a securities account, or a commodity account.

9 B. APPLICABILITY OF ARTICLE

10 Sec. 9. NEW SECTION. 554.9109 SCOPE.

11 1. GENERAL SCOPE OF ARTICLE. Except as otherwise provided  
12 in subsections 3 and 4, this Article applies to:

13 a. a transaction, regardless of its form, that creates a  
14 security interest in personal property or fixtures by  
15 contract;

16 b. an agricultural lien;

17 c. a sale of accounts, chattel paper, payment intangibles,  
18 or promissory notes;

19 d. a consignment;

20 e. a security interest arising under section 554.2401,  
21 554.2505, 554.2711, subsection 3, section 554.9110, or  
22 554.13508, subsection 5; and

23 f. a security interest arising under section 554.4210 or  
24 554.5118.

25 2. SECURITY INTEREST IN SECURED OBLIGATION. The  
26 application of this Article to a security interest in a  
27 secured obligation is not affected by the fact that the  
28 obligation is itself secured by a transaction or interest to  
29 which this Article does not apply.

30 3. EXTENT TO WHICH ARTICLE DOES NOT APPLY. This Article  
31 does not apply to the extent that:

32 a. a statute, regulation, or treaty of the United States  
33 preempts this Article;

34 b. another statute of this state expressly governs the  
35 creation, perfection, priority, or enforcement of a security



1 interest created by this state or a governmental unit of this  
2 state;

3 c. a statute of another state, a foreign country, or a  
4 governmental unit of another state or a foreign country, other  
5 than a statute generally applicable to security interests,  
6 expressly governs creation, perfection, priority, or  
7 enforcement of a security interest created by the state,  
8 country, or governmental unit; or

9 d. the rights of a transferee beneficiary or nominated  
10 person under a letter of credit are independent and superior  
11 under section 554.5114.

12 4. INAPPLICABILITY OF ARTICLE. This Article does not  
13 apply to:

14 a. a landlord's lien, other than an agricultural lien;

15 b. a lien, other than an agricultural lien, given by  
16 statute or other rule of law for services or materials, but  
17 section 554.9333 applies with respect to priority of the lien;

18 c. an assignment of a claim for wages, salary, or other  
19 compensation of an employee;

20 d. a sale of accounts, chattel paper, payment intangibles,  
21 or promissory notes as part of a sale of the business out of  
22 which they arose;

23 e. an assignment of accounts, chattel paper, payment  
24 intangibles, or promissory notes which is for the purpose of  
25 collection only;

26 f. an assignment of a right to payment under a contract to  
27 an assignee that is also obligated to perform under the  
28 contract;

29 g. an assignment of a single account, payment intangible,  
30 or promissory note to an assignee in full or partial  
31 satisfaction of a preexisting indebtedness;

32 h. a transfer of an interest in or an assignment of a  
33 claim under a policy of insurance, other than an assignment by  
34 or to a health-care provider of a health-care-insurance  
35 receivable and any subsequent assignment of the right to

1 payment, but sections 554.9315 and 554.9322 apply with respect  
2 to proceeds and priorities in proceeds;

3 i. an assignment of a right represented by a judgment,  
4 other than a judgment taken on a right to payment that was  
5 collateral;

6 j. a right of recoupment or setoff, but:

7 (1) section 554.9340 applies with respect to the  
8 effectiveness of rights of recoupment or setoff against  
9 deposit accounts; and

10 (2) section 554.9404 applies with respect to defenses or  
11 claims of an account debtor;

12 k. the creation or transfer of an interest in or lien on  
13 real property, including a lease or rents thereunder, except  
14 to the extent that provision is made for:

15 (1) liens on real property in sections 554.9203 and  
16 554.9308;

17 (2) fixtures in section 554.9334;

18 (3) fixture filings in sections 554.9501, 554.9502,  
19 554.9512, 554.9516, and 554.9519; and

20 (4) security agreements covering personal and real  
21 property in section 554.9604;

22 l. an assignment of a claim arising in tort, other than a  
23 commercial tort claim, but sections 554.9315 and 554.9322  
24 apply with respect to proceeds and priorities in proceeds; or

25 m. an assignment of a deposit account in a consumer  
26 transaction, but sections 554.9315 and 554.9322 apply with  
27 respect to proceeds and priorities in proceeds.

28 Sec. 10. NEW SECTION. 554.9110 SECURITY INTERESTS  
29 ARISING UNDER ARTICLE 2 OR 13.

30 A security interest arising under section 554.2401,  
31 554.2505, 554.2711, subsection 3, or section 554.13508,  
32 subsection 5, is subject to this Article. However, until the  
33 debtor obtains possession of the goods:

34 1. the security interest is enforceable, even if section  
35 554.9203, subsection 2, paragraph "c", has not been satisfied;

- 1 2. filing is not required to perfect the security  
2 interest;
- 3 3. the rights of the secured party after default by the  
4 debtor are governed by Article 2 or 13; and
- 5 4. the security interest has priority over a conflicting  
6 security interest created by the debtor.

7 PART 2

8 EFFECTIVENESS OF SECURITY AGREEMENT --

9 ATTACHMENT OF SECURITY INTEREST --

10 RIGHTS OF PARTIES TO SECURITY AGREEMENT

11 A. EFFECTIVENESS AND ATTACHMENT

12 Sec. 11. NEW SECTION. 554.9201 GENERAL EFFECTIVENESS OF  
13 SECURITY AGREEMENT.

14 1. GENERAL EFFECTIVENESS. Except as otherwise provided in  
15 this chapter, a security agreement is effective according to  
16 its terms between the parties, against purchasers of the  
17 collateral, and against creditors.

18 2. APPLICABLE CONSUMER LAWS. A transaction subject to  
19 this Article is subject to any applicable rule of law which  
20 establishes a different rule for consumers, including as  
21 provided in chapter 537, or any other statute or regulation of  
22 this state that regulates the rates, charges, agreements, and  
23 practices for loans, credit sales, or other extensions of  
24 credit, and to any consumer protection statute or regulation.

25 3. OTHER APPLICABLE LAW CONTROLS. In case of conflict  
26 between this Article and a rule of law, statute, or regulation  
27 described in subsection 2, the rule of law, statute, or  
28 regulation controls. Failure to comply with a statute or  
29 regulation described in subsection 2 has only the effect the  
30 statute or regulation specifies.

31 4. FURTHER DEFERENCE TO OTHER APPLICABLE LAW. This  
32 Article does not:

33 a. validate any rate, charge, agreement, or practice that  
34 violates a rule of law, statute, or regulation described in  
35 subsection 2; or

1 b. extend the application of the rule of law, statute, or  
2 regulation to a transaction not otherwise subject to it.

3 Sec. 12. NEW SECTION. 554.9202 TITLE TO COLLATERAL  
4 IMMATERIAL.

5 Except as otherwise provided with respect to consignments  
6 or sales of accounts, chattel paper, payment intangibles, or  
7 promissory notes, the provisions of this Article with regard  
8 to rights and obligations apply whether title to collateral is  
9 in the secured party or the debtor.

10 Sec. 13. NEW SECTION. 554.9203 ATTACHMENT AND  
11 ENFORCEABILITY OF SECURITY INTEREST -- PROCEEDS -- SUPPORTING  
12 OBLIGATIONS -- FORMAL REQUISITES.

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

17 2. ENFORCEABILITY. Except as otherwise provided in  
18 subsections 3 through 9, a security interest is enforceable  
19 against the debtor and third parties with respect to the  
20 collateral only if:

- 21 a. value has been given;
- 22 b. the debtor has rights in the collateral or the power to
- 23 transfer rights in the collateral to a secured party; and
- 24 c. one of the following conditions is met:

25 (1) the debtor has authenticated a security agreement that  
26 provides a description of the collateral and, if the security  
27 interest covers timber to be cut, a description of the land  
28 concerned;

29 (2) the collateral is not a certificated security and is  
30 in the possession of the secured party under section 554.9313  
31 pursuant to the debtor's security agreement;

32 (3) the collateral is a certificated security in  
33 registered form and the security certificate has been  
34 delivered to the secured party under section 554.8301 pursuant  
35 to the debtor's security agreement; or

1 (4) the collateral is deposit accounts, electronic chattel  
2 paper, investment property, or letter-of-credit rights, and  
3 the secured party has control under section 554.9104,  
4 554.9105, 554.9106, or 554.9107 pursuant to the debtor's  
5 security agreement.

6 3. OTHER UCC PROVISIONS. Subsection 2 is subject to  
7 section 554.4210 on the security interest of a collecting  
8 bank, section 554.5118 on the security interest of a letter-  
9 of-credit issuer or nominated person, section 554.9110 on a  
10 security interest arising under Article 2 or 13, and section  
11 554.9206 on security interests in investment property.

12 4. WHEN PERSON BECOMES BOUND BY ANOTHER PERSON'S SECURITY  
13 AGREEMENT. A person becomes bound as debtor by a security  
14 agreement entered into by another person if, by operation of  
15 law other than this Article or by contract:

16 a. the security agreement becomes effective to create a  
17 security interest in the person's property; or

18 b. the person becomes generally obligated for the  
19 obligations of the other person, including the obligation  
20 secured under the security agreement, and acquires or succeeds  
21 to all or substantially all of the assets of the other person.

22 5. EFFECT OF NEW DEBTOR BECOMING BOUND. If a new debtor  
23 becomes bound as debtor by a security agreement entered into  
24 by another person:

25 a. the agreement satisfies subsection 2, paragraph "c",  
26 with respect to existing or after-acquired property of the new  
27 debtor to the extent the property is described in the  
28 agreement; and

29 b. another agreement is not necessary to make a security  
30 interest in the property enforceable.

31 6. PROCEEDS AND SUPPORTING OBLIGATIONS. The attachment of  
32 a security interest in collateral gives the secured party the  
33 rights to proceeds provided by section 554.9315 and is also  
34 attachment of a security interest in a supporting obligation  
35 for the collateral.

1 7. LIEN SECURING RIGHT TO PAYMENT. The attachment of a  
2 security interest in a right to payment or performance secured  
3 by a security interest or other lien on personal or real  
4 property is also attachment of a security interest in the  
5 security interest, mortgage, or other lien.

6 8. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.  
7 The attachment of a security interest in a securities account  
8 is also attachment of a security interest in the security  
9 entitlements carried in the securities account.

10 9. COMMODITY CONTRACTS CARRIED IN COMMODITY ACCOUNT. The  
11 attachment of a security interest in a commodity account is  
12 also attachment of a security interest in the commodity  
13 contracts carried in the commodity account.

14 Sec. 14. NEW SECTION. 554.9204 AFTER-ACQUIRED PROPERTY  
15 -- FUTURE ADVANCES.

16 1. AFTER-ACQUIRED COLLATERAL. Except as otherwise  
17 provided in subsection 2, a security agreement may create or  
18 provide for a security interest in after-acquired collateral.

19 2. WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE. A  
20 security interest does not attach under a term constituting an  
21 after-acquired property clause to:

22 a. consumer goods, other than an accession when given as  
23 additional security, unless the debtor acquires rights in them  
24 within ten days after the secured party gives value; or

25 b. a commercial tort claim.

26 3. FUTURE ADVANCES AND OTHER VALUE. A security agreement  
27 may provide that collateral secures, or that accounts, chattel  
28 paper, payment intangibles, or promissory notes are sold in  
29 connection with, future advances or other value, whether or  
30 not the advances or value are given pursuant to commitment.

31 Sec. 15. NEW SECTION. 554.9205 USE OR DISPOSITION OF  
32 COLLATERAL PERMISSIBLE.

33 1. WHEN SECURITY INTEREST NOT INVALID OR FRAUDULENT. A  
34 security interest is not invalid or fraudulent against  
35 creditors solely because:

- 1 a. the debtor has the right or ability to:
- 2 (1) use, commingle, or dispose of all or part of the
- 3 collateral, including returned or repossessed goods;
- 4 (2) collect, compromise, enforce, or otherwise deal with
- 5 collateral;
- 6 (3) accept the return of collateral or make repossessions;
- 7 or
- 8 (4) use, commingle, or dispose of proceeds; or
- 9 b. the secured party fails to require the debtor to
- 10 account for proceeds or replace collateral.

11 2. REQUIREMENTS OF POSSESSION NOT RELAXED. This section  
 12 does not relax the requirements of possession if attachment,  
 13 perfection, or enforcement of a security interest depends upon  
 14 possession of the collateral by the secured party.

15 Sec. 16. NEW SECTION. 554.9206 SECURITY INTEREST ARISING  
 16 IN PURCHASE OR DELIVERY OF FINANCIAL ASSET.

17 1. SECURITY INTEREST WHEN PERSON BUYS THROUGH SECURITIES  
 18 INTERMEDIARY. A security interest in favor of a securities  
 19 intermediary attaches to a person's security entitlement if:

- 20 a. the person buys a financial asset through the
- 21 securities intermediary in a transaction in which the person
- 22 is obligated to pay the purchase price to the securities
- 23 intermediary at the time of the purchase; and
- 24 b. the securities intermediary credits the financial asset
- 25 to the buyer's securities account before the buyer pays the
- 26 securities intermediary.

27 2. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR  
 28 FINANCIAL ASSET. The security interest described in  
 29 subsection 1 secures the person's obligation to pay for the  
 30 financial asset.

31 3. SECURITY INTEREST IN PAYMENT AGAINST DELIVERY  
 32 TRANSACTION. A security interest in favor of a person that  
 33 delivers a certificated security or other financial asset  
 34 represented by a writing attaches to the security or other  
 35 financial asset if:

1 a. the security or other financial asset:

2 (1) in the ordinary course of business is transferred by  
3 delivery with any necessary indorsement or assignment; and

4 (2) is delivered under an agreement between persons in the  
5 business of dealing with such securities or financial assets;  
6 and

7 b. the agreement calls for delivery against payment.

8 4. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR  
9 DELIVERY. The security interest described in subsection 3  
10 secures the obligation to make payment for the delivery.

11 B. RIGHTS AND DUTIES

12 Sec. 17. NEW SECTION. 554.9207 RIGHTS AND DUTIES OF  
13 SECURED PARTY HAVING POSSESSION OR CONTROL OF COLLATERAL.

14 1. DUTY OF CARE WHEN SECURED PARTY IN POSSESSION. Except  
15 as otherwise provided in subsection 4, a secured party shall  
16 use reasonable care in the custody and preservation of  
17 collateral in the secured party's possession. In the case of  
18 chattel paper or an instrument, reasonable care includes  
19 taking necessary steps to preserve rights against prior  
20 parties unless otherwise agreed.

21 2. EXPENSES, RISKS, DUTIES, AND RIGHTS WHEN SECURED PARTY  
22 IN POSSESSION. Except as otherwise provided in subsection 4,  
23 if a secured party has possession of collateral:

24 a. reasonable expenses, including the cost of insurance  
25 and payment of taxes or other charges, incurred in the  
26 custody, preservation, use, or operation of the collateral are  
27 chargeable to the debtor and are secured by the collateral;

28 b. the risk of accidental loss or damage is on the debtor  
29 to the extent of a deficiency in any effective insurance  
30 coverage;

31 c. the secured party shall keep the collateral  
32 identifiable, but fungible collateral may be commingled; and

33 d. the secured party may use or operate the collateral:

34 (1) for the purpose of preserving the collateral or its  
35 value;



1 (2) as permitted by an order of a court having competent  
2 jurisdiction; or

3 (3) except in the case of consumer goods, in the manner  
4 and to the extent agreed by the debtor.

5 3. DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR  
6 CONTROL. Except as otherwise provided in subsection 4, a  
7 secured party having possession of collateral or control of  
8 collateral under section 554.9104, 554.9105, 554.9106, or  
9 554.9107:

10 a. may hold as additional security any proceeds, except  
11 money or funds, received from the collateral;

12 b. shall apply money or funds received from the collateral  
13 to reduce the secured obligation, unless remitted to the  
14 debtor; and

15 c. may create a security interest in the collateral.

16 4. BUYER OF CERTAIN RIGHTS TO PAYMENT. If the secured  
17 party is a buyer of accounts, chattel paper, payment  
18 intangibles, or promissory notes or a consignor:

19 a. subsection 1 does not apply unless the secured party is  
20 entitled under an agreement:

21 (1) to charge back uncollected collateral; or

22 (2) otherwise to full or limited recourse against the  
23 debtor or a secondary obligor based on the nonpayment or other  
24 default of an account debtor or other obligor on the  
25 collateral; and

26 b. subsections 2 and 3 do not apply.

27 Sec. 18. NEW SECTION. 554.9208 ADDITIONAL DUTIES OF  
28 SECURED PARTY HAVING CONTROL OF COLLATERAL.

29 1. APPLICABILITY OF SECTION. This section applies to  
30 cases in which there is no outstanding secured obligation and  
31 the secured party is not committed to make advances, incur  
32 obligations, or otherwise give value.

33 2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM  
34 DEBTOR. Within ten days after receiving an authenticated  
35 demand by the debtor:

1 a. a secured party having control of a deposit account  
2 under section 554.9104, subsection 1, paragraph "b", shall  
3 send to the bank with which the deposit account is maintained  
4 an authenticated statement that releases the bank from any  
5 further obligation to comply with instructions originated by  
6 the secured party;

7 b. a secured party having control of a deposit account  
8 under section 554.9104, subsection 1, paragraph "c", shall:

9 (1) pay the debtor the balance on deposit in the deposit  
10 account; or

11 (2) transfer the balance on deposit into a deposit account  
12 in the debtor's name;

13 c. a secured party, other than a buyer, having control of  
14 electronic chattel paper under section 554.9105 shall:

15 (1) communicate the authoritative copy of the electronic  
16 chattel paper to the debtor or its designated custodian;

17 (2) if the debtor designates a custodian that is the  
18 designated custodian with which the authoritative copy of the  
19 electronic chattel paper is maintained for the secured party,  
20 communicate to the custodian an authenticated record releasing  
21 the designated custodian from any further obligation to comply  
22 with instructions originated by the secured party and  
23 instructing the custodian to comply with instructions  
24 originated by the debtor; and

25 (3) take appropriate action to enable the debtor or its  
26 designated custodian to make copies of or revisions to the  
27 authoritative copy which add or change an identified assignee  
28 of the authoritative copy without the consent of the secured  
29 party;

30 d. a secured party having control of investment property  
31 under section 554.8106, subsection 4, paragraph "b", or  
32 section 554.9106, subsection 2, shall send to the securities  
33 intermediary or commodity intermediary with which the security  
34 entitlement or commodity contract is maintained an  
35 authenticated record that releases the securities intermediary

1 or commodity intermediary from any further obligation to  
2 comply with entitlement orders or directions originated by the  
3 secured party; and

4 e. a secured party having control of a letter-of-credit  
5 right under section 554.9107 shall send to each person having  
6 an unfulfilled obligation to pay or deliver proceeds of the  
7 letter of credit to the secured party an authenticated release  
8 from any further obligation to pay or deliver proceeds of the  
9 letter of credit to the secured party.

10 Sec. 19. NEW SECTION. 554.9209 DUTIES OF SECURED PARTY  
11 IF ACCOUNT DEBTOR HAS BEEN NOTIFIED OF ASSIGNMENT.

12 1. APPLICABILITY OF SECTION. Except as otherwise provided  
13 in subsection 3, this section applies if:

- 14 a. there is no outstanding secured obligation; and
- 15 b. the secured party is not committed to make advances,  
16 incur obligations, or otherwise give value.

17 2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM  
18 DEBTOR. Within ten days after receiving an authenticated  
19 demand by the debtor, a secured party shall send to an account  
20 debtor that has received notification of an assignment to the  
21 secured party as assignee under section 554.9406, subsection  
22 1, an authenticated record that releases the account debtor  
23 from any further obligation to the secured party.

24 3. INAPPLICABILITY TO SALES. This section does not apply  
25 to an assignment constituting the sale of an account, chattel  
26 paper, or payment intangible.

27 Sec. 20. NEW SECTION. 554.9210 REQUEST FOR ACCOUNTING --  
28 REQUEST REGARDING LIST OF COLLATERAL OR STATEMENT OF ACCOUNT.

29 1. DEFINITIONS. In this section:

- 30 a. "Request" means a record of a type described in  
31 paragraph "b", "c", or "d".
- 32 b. "Request for an accounting" means a record  
33 authenticated by a debtor requesting ~~that the recipient~~  
34 provide an accounting of the unpaid obligations secured by  
35 collateral and reasonably identifying the transaction or

1 relationship that is the subject of the request.

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

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

15 2. DUTY TO RESPOND TO REQUESTS. Subject to subsections 3,  
16 4, 5, and 6, a secured party, other than a buyer of accounts,  
17 chattel paper, payment intangibles, or promissory notes or a  
18 consignor, shall comply with a request within fourteen days  
19 after receipt:

20 a. in the case of a request for an accounting, by  
21 authenticating and sending to the debtor an accounting; and

22 b. in the case of a request regarding a list of collateral  
23 or a request regarding a statement of account, by  
24 authenticating and sending to the debtor an approval or  
25 correction.

26 3. REQUEST REGARDING LIST OF COLLATERAL -- STATEMENT  
27 CONCERNING TYPE OF COLLATERAL. A secured party that claims a  
28 security interest in all of a particular type of collateral  
29 owned by the debtor may comply with a request regarding a list  
30 of collateral by sending to the debtor an authenticated record  
31 including a statement to that effect within fourteen days  
32 after receipt.

33 4. REQUEST REGARDING LIST OF COLLATERAL -- NO INTEREST  
34 CLAIMED. A person that receives a request regarding a list of  
35 collateral, claims no interest in the collateral when it

1 receives the request, and claimed an interest in the  
2 collateral at an earlier time shall comply with the request  
3 within fourteen days after receipt by sending to the debtor an  
4 authenticated record:

5 a. disclaiming any interest in the collateral; and

6 b. if known to the recipient, providing the name and  
7 mailing address of any assignee of or successor to the  
8 recipient's interest in the collateral.

9 5. REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF  
10 ACCOUNT -- NO INTEREST IN OBLIGATION CLAIMED. A person that  
11 receives a request for an accounting or a request regarding a  
12 statement of account, claims no interest in the obligations  
13 when it receives the request, and claimed an interest in the  
14 obligations at an earlier time shall comply with the request  
15 within fourteen days after receipt by sending to the debtor an  
16 authenticated record:

17 a. disclaiming any interest in the obligations; and

18 b. if known to the recipient, providing the name and  
19 mailing address of any assignee of or successor to the  
20 recipient's interest in the obligations.

21 6. CHARGES FOR RESPONSES. A debtor is entitled without  
22 charge to one response to a request under this section during  
23 any six-month period. The secured party may require payment  
24 of a charge not exceeding twenty-five dollars for each  
25 additional response.

26 PART 3

27 PERFECTION AND PRIORITY

28 A. LAW GOVERNING PERFECTION AND PRIORITY

29 Sec. 21. NEW SECTION. 554.9301 LAW GOVERNING PERFECTION  
30 AND PRIORITY OF SECURITY INTERESTS.

31 Except as otherwise provided in sections 554.9303,  
32 554.9304, 554.9305, and 554.9306, the following rules  
33 determine the law governing perfection, the effect of  
34 perfection or nonperfection, and the priority of a security  
35 interest in collateral:

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

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

10 3. Except as otherwise provided in subsection 4, while  
11 negotiable documents, goods, instruments, money, or tangible  
12 chattel paper is located in a jurisdiction, the local law of  
13 that jurisdiction governs:

14 a. perfection of a security interest in the goods by  
15 filing a fixture filing;

16 b. perfection of a security interest in timber to be cut;  
17 and

18 c. the effect of perfection or nonperfection and the  
19 priority of a nonpossessory security interest in the  
20 collateral.

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

25 Sec. 22. NEW SECTION. 554.9302 LAW GOVERNING PERFECTION  
26 AND PRIORITY OF AGRICULTURAL LIENS.

27 While farm products are located in a jurisdiction, the  
28 local law of that jurisdiction governs perfection, the effect  
29 of perfection or nonperfection, and the priority of an  
30 agricultural lien on the farm products.

31 Sec. 23. NEW SECTION. 554.9303 LAW GOVERNING PERFECTION  
32 AND PRIORITY OF SECURITY INTERESTS IN GOODS COVERED BY A  
33 CERTIFICATE OF TITLE.

34 1. APPLICABILITY OF SECTION. This section applies to  
35 goods covered by a certificate of title, even if there is no

1 other relationship between the jurisdiction under whose  
2 certificate of title the goods are covered and the goods or  
3 the debtor.

4 2. WHEN GOODS COVERED BY CERTIFICATE OF TITLE. Goods  
5 become covered by a certificate of title when a valid  
6 application for the certificate of title and the applicable  
7 fee are delivered to the appropriate authority. Goods cease  
8 to be covered by a certificate of title at the earlier of the  
9 time the certificate of title ceases to be effective under the  
10 law of the issuing jurisdiction or the time the goods become  
11 covered subsequently by a certificate of title issued by  
12 another jurisdiction.

13 3. APPLICABLE LAW. The local law of the jurisdiction  
14 under whose certificate of title the goods are covered governs  
15 perfection, the effect of perfection or nonperfection, and the  
16 priority of a security interest in goods covered by a  
17 certificate of title from the time the goods become covered by  
18 the certificate of title until the goods cease to be covered  
19 by the certificate of title.

20 Sec. 24. NEW SECTION. 554.9304 LAW GOVERNING PERFECTION  
21 AND PRIORITY OF SECURITY INTERESTS IN DEPOSIT ACCOUNTS.

22 1. LAW OF BANK'S JURISDICTION GOVERNS. The local law of a  
23 bank's jurisdiction governs perfection, the effect of  
24 perfection or nonperfection, and the priority of a security  
25 interest in a deposit account maintained with that bank.

26 2. BANK'S JURISDICTION. The following rules determine a  
27 bank's jurisdiction for purposes of this part:

28 a. If an agreement between the bank and the debtor  
29 governing the deposit account expressly provides that a  
30 particular jurisdiction is the bank's jurisdiction for  
31 purposes of this part, this Article, or this chapter, that  
32 jurisdiction is the bank's jurisdiction.

33 b. If paragraph "a" does not apply and an agreement  
34 between the bank and its customer governing the deposit  
35 account expressly provides that the agreement is governed by

1 the law of a particular jurisdiction, that jurisdiction is the  
2 bank's jurisdiction.

3 c. If neither paragraph "a" nor paragraph "b" applies and  
4 an agreement between the bank and its customer governing the  
5 deposit account expressly provides that the deposit account is  
6 maintained at an office in a particular jurisdiction, that  
7 jurisdiction is the bank's jurisdiction.

8 d. If none of the preceding paragraphs applies, the bank's  
9 jurisdiction is the jurisdiction in which the office  
10 identified in an account statement as the office serving the  
11 customer's account is located.

12 e. If none of the preceding paragraphs applies, the bank's  
13 jurisdiction is the jurisdiction in which the chief executive  
14 office of the bank is located.

15 Sec. 25. NEW SECTION. 554.9305 LAW GOVERNING PERFECTION  
16 AND PRIORITY OF SECURITY INTERESTS IN INVESTMENT PROPERTY.

17 1. GOVERNING LAW -- GENERAL RULES. Except as otherwise  
18 provided in subsection 3, the following rules apply:

19 a. While a security certificate is located in a  
20 jurisdiction, the local law of that jurisdiction governs  
21 perfection, the effect of perfection or nonperfection, and the  
22 priority of a security interest in the certificated security  
23 represented thereby.

24 b. The local law of the issuer's jurisdiction as specified  
25 in section 554.8110, subsection 4, governs perfection, the  
26 effect of perfection or nonperfection, and the priority of a  
27 security interest in an uncertificated security.

28 c. The local law of the securities intermediary's  
29 jurisdiction as specified in section 554.8110, subsection 5,  
30 governs perfection, the effect of perfection or nonperfection,  
31 and the priority of a security interest in a security  
32 entitlement or securities account.

33 d. The local law of the commodity intermediary's  
34 jurisdiction governs perfection, the effect of perfection or  
35 nonperfection, and the priority of a security interest in a



1 commodity contract or commodity account.

2 2. COMMODITY INTERMEDIARY'S JURISDICTION. The following  
3 rules determine a commodity intermediary's jurisdiction for  
4 purposes of this part:

5 a. If an agreement between the commodity intermediary and  
6 commodity customer governing the commodity account expressly  
7 provides that a particular jurisdiction is the commodity  
8 intermediary's jurisdiction for purposes of this part, this  
9 Article, or this chapter, that jurisdiction is the commodity  
10 intermediary's jurisdiction.

11 b. If paragraph "a" does not apply and an agreement  
12 between the commodity intermediary and commodity customer  
13 governing the commodity account expressly provides that the  
14 agreement is governed by the law of a particular jurisdiction,  
15 that jurisdiction is the commodity intermediary's  
16 jurisdiction.

17 c. If neither paragraph "a" nor paragraph "b" applies and  
18 an agreement between the commodity intermediary and commodity  
19 customer governing the commodity account expressly provides  
20 that the commodity account is maintained at an office in a  
21 particular jurisdiction, that jurisdiction is the commodity  
22 intermediary's jurisdiction.

23 d. If none of the preceding paragraphs applies, the  
24 commodity intermediary's jurisdiction is the jurisdiction in  
25 which the office identified in an account statement as the  
26 office serving the commodity customer's account is located.

27 e. If none of the preceding paragraphs applies, the  
28 commodity intermediary's jurisdiction is the jurisdiction in  
29 which the chief executive office of the commodity intermediary  
30 is located.

31 3. WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE  
32 DEBTOR LOCATED. The local law of the jurisdiction in which  
33 the debtor is located governs:

34 a. perfection of a security interest in investment  
35 property by filing;

1 b. automatic perfection of a security interest in  
2 investment property created by a broker or securities  
3 intermediary; and

4 c. automatic perfection of a security interest in a  
5 commodity contract or commodity account created by a commodity  
6 intermediary.

7 Sec. 26. NEW SECTION. 554.9306 LAW GOVERNING PERFECTION  
8 AND PRIORITY OF SECURITY INTERESTS IN LETTER-OF-CREDIT RIGHTS.

9 1. GOVERNING LAW -- ISSUER'S OR NOMINATED PERSON'S  
10 JURISDICTION. Subject to subsection 3, the local law of the  
11 issuer's jurisdiction or a nominated person's jurisdiction  
12 governs perfection, the effect of perfection or nonperfection,  
13 and the priority of a security interest in a letter-of-credit  
14 right if the issuer's jurisdiction or nominated person's  
15 jurisdiction is a state.

16 2. ISSUER'S OR NOMINATED PERSON'S JURISDICTION. For  
17 purposes of this part, an issuer's jurisdiction or nominated  
18 person's jurisdiction is the jurisdiction whose law governs  
19 the liability of the issuer or nominated person with respect  
20 to the letter-of-credit right as provided in section 554.5116.

21 3. WHEN SECTION NOT APPLICABLE. This section does not  
22 apply to a security interest that is perfected only under  
23 section 554.9308, subsection 4.

24 Sec. 27. NEW SECTION. 554.9307 LOCATION OF DEBTOR.

25 1. PLACE OF BUSINESS. In this section, "place of  
26 business" means a place where a debtor conducts its affairs.

27 2. DEBTOR'S LOCATION -- GENERAL RULES. Except as  
28 otherwise provided in this section, the following rules  
29 determine a debtor's location:

30 a. A debtor who is an individual is located at the  
31 individual's principal residence.

32 b. A debtor that is an organization and has only one place  
33 of business is located at its place of business.

34 c. A debtor that is an organization and has more than one  
35 place of business is located at its chief executive office.

1 3. LIMITATION OF APPLICABILITY OF SUBSECTION 2.

2 Subsection 2 applies only if a debtor's residence, place of  
3 business, or chief executive office, as applicable, is located  
4 in a jurisdiction whose law generally requires information  
5 concerning the existence of a nonpossessory security interest  
6 to be made generally available in a filing, recording, or  
7 registration system as a condition or result of the security  
8 interest's obtaining priority over the rights of a lien  
9 creditor with respect to the collateral. If subsection 2 does  
10 not apply, the debtor is located in the District of Columbia.

11 4. CONTINUATION OF LOCATION -- CESSATION OF EXISTENCE,  
12 ETC. A person that ceases to exist, have a residence, or have  
13 a place of business continues to be located in the  
14 jurisdiction specified by subsections 2 and 3.

15 5. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER  
16 STATE LAW. A registered organization that is organized under  
17 the law of a state is located in that state.

18 6. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER  
19 FEDERAL LAW -- BANK BRANCHES AND AGENCIES. Except as  
20 otherwise provided in subsection 9, a registered organization  
21 that is organized under the law of the United States and a  
22 branch or agency of a bank that is not organized under the law  
23 of the United States or a state are located:

24 a. in the state that the law of the United States  
25 designates, if the law designates a state of location;

26 b. in the state that the registered organization, branch,  
27 or agency designates, if the law of the United States  
28 authorizes the registered organization, branch, or agency to  
29 designate its state of location; or

30 c. in the District of Columbia, if neither paragraph "a"  
31 nor paragraph "b" applies.

32 7. CONTINUATION OF LOCATION -- CHANGE IN STATUS OF  
33 REGISTERED ORGANIZATION. A registered organization continues  
34 to be located in the jurisdiction specified by subsection 5 or  
35 6 notwithstanding:

1 a. the suspension, revocation, forfeiture, or lapse of the  
2 registered organization's status as such in its jurisdiction  
3 of organization; or

4 b. the dissolution, winding up, or cancellation of the  
5 existence of the registered organization.

6 8. LOCATION OF UNITED STATES. The United States is  
7 located in the District of Columbia.

8 9. LOCATION OF FOREIGN BANK BRANCH OR AGENCY IF LICENSED  
9 IN ONLY ONE STATE. A branch or agency of a bank that is not  
10 organized under the law of the United States or a state is  
11 located in the state in which the branch or agency is  
12 licensed, if all branches and agencies of the bank are  
13 licensed in only one state.

14 10. LOCATION OF FOREIGN AIR CARRIER. A foreign air  
15 carrier under the Federal Aviation Act of 1958, as amended, is  
16 located at the designated office of the agent upon which  
17 service of process may be made on behalf of the carrier.

18 11. SECTION APPLIES ONLY TO THIS PART. This section  
19 applies only for purposes of this part.

20 B. PERFECTION

21 Sec. 28. NEW SECTION. 554.9308 WHEN SECURITY INTEREST OR  
22 AGRICULTURAL LIEN IS PERFECTED -- CONTINUITY OF PERFECTION.

23 1. PERFECTION OF SECURITY INTEREST. Except as otherwise  
24 provided in this section and section 554.9309, a security  
25 interest is perfected if it has attached and all of the  
26 applicable requirements for perfection in sections 554.9310,  
27 554.9311, 554.9312, 554.9313, 554.9314, 554.9315, and 554.9316  
28 have been satisfied. A security interest is perfected when it  
29 attaches if the applicable requirements are satisfied before  
30 the security interest attaches.

31 2. PERFECTION OF AGRICULTURAL LIEN. An agricultural lien  
32 is perfected if it has become effective and all of the  
33 applicable requirements for perfection in section 554.9310  
34 have been satisfied. An agricultural lien is perfected when  
35 it becomes effective if the applicable requirements are

1 satisfied before the agricultural lien becomes effective.

2 3. CONTINUOUS PERFECTION -- PERFECTION BY DIFFERENT  
3 METHODS. A security interest or agricultural lien is  
4 perfected continuously if it is originally perfected by one  
5 method under this Article and is later perfected by another  
6 method under this Article, without an intermediate period when  
7 it was unperfected.

8 4. SUPPORTING OBLIGATION. Perfection of a security  
9 interest in collateral also perfects a security interest in a  
10 supporting obligation for the collateral.

11 5. LIEN SECURING RIGHT TO PAYMENT. Perfection of a  
12 security interest in a right to payment or performance also  
13 perfects a security interest in a security interest, mortgage,  
14 or other lien on personal or real property securing the right.

15 6. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.  
16 Perfection of a security interest in a securities account also  
17 perfects a security interest in the security entitlements  
18 carried in the securities account.

19 7. COMMODITY CONTRACT CARRIED IN COMMODITY ACCOUNT.  
20 Perfection of a security interest in a commodity account also  
21 perfects a security interest in the commodity contracts  
22 carried in the commodity account.

23 Sec. 29. NEW SECTION. 554.9309 SECURITY INTEREST  
24 PERFECTED UPON ATTACHMENT.

25 The following security interests are perfected when they  
26 attach:

27 1. a purchase-money security interest in consumer goods,  
28 except as otherwise provided in section 554.9311, subsection  
29 2, with respect to consumer goods that are subject to a  
30 statute or treaty described in section 554.9311, subsection 1;

31 2. an assignment of accounts or payment intangibles which  
32 does not by itself or in conjunction with other assignments to  
33 the same assignee transfer a significant part of the  
34 assignor's outstanding accounts or payment intangibles;

35 3. a sale of a payment intangible;

- 1 4. a sale of a promissory note;
- 2 5. a security interest created by the assignment of a
- 3 health-care-insurance receivable to the provider of the
- 4 health-care goods or services;
- 5 6. a security interest arising under section 554.2401,
- 6 554.2505, 554.2711, subsection 3, or section 554.13508,
- 7 subsection 5, until the debtor obtains possession of the
- 8 collateral;
- 9 7. a security interest of a collecting bank arising under
- 10 section 554.4210;
- 11 8. a security interest of an issuer or nominated person
- 12 arising under section 554.5118;
- 13 9. a security interest arising in the delivery of a
- 14 financial asset under section 554.9206, subsection 3;
- 15 10. a security interest in investment property created by
- 16 a broker or securities intermediary;
- 17 11. a security interest in a commodity contract or a
- 18 commodity account created by a commodity intermediary;
- 19 12. an assignment for the benefit of all creditors of the
- 20 transferor and subsequent transfers by the assignee
- 21 thereunder; and
- 22 13. a security interest created by an assignment of a
- 23 beneficial interest in a decedent's estate.

24 Sec. 30. NEW SECTION. 554.9310 WHEN FILING REQUIRED TO  
25 PERFECT SECURITY INTEREST OR AGRICULTURAL LIEN -- SECURITY  
26 INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING PROVISIONS DO  
27 NOT APPLY.

28 1. GENERAL RULE -- PERFECTION BY FILING. Except as  
29 otherwise provided in subsection 2 and section 554.9312,  
30 subsection 2, a financing statement must be filed to perfect  
31 all security interests and agricultural liens.

32 2 EXCEPTIONS -- FILING NOT NECESSARY. The filing of a  
33 financing statement is not necessary to perfect a security  
34 interest:

- 35 a. that is perfected under section 554.9308, subsection 4,

1 5, 6, or 7;

2 b. that is perfected under section 554.9309 when it  
3 attaches;

4 c. in property subject to a statute, regulation, or treaty  
5 described in section 554.9311, subsection 1;

6 d. in goods in possession of a bailee which is perfected  
7 under section 554.9312, subsection 4, paragraph "a" or "b";

8 e. in certificated securities, documents, goods, or  
9 instruments which is perfected without filing or possession  
10 under section 554.9312, subsection 5, 6, or 7;

11 f. in collateral in the secured party's possession under  
12 section 554.9313;

13 g. in a certificated security which is perfected by  
14 delivery of the security certificate to the secured party  
15 under section 554.9313;

16 h. in deposit accounts, electronic chattel paper,  
17 investment property, or letter-of-credit rights which is  
18 perfected by control under section 554.9314;

19 i. in proceeds which is perfected under section 554.9315;  
20 or

21 j. that is perfected under section 554.9316.

22 3. ASSIGNMENT OF PERFECTED SECURITY INTEREST. If a  
23 secured party assigns a perfected security interest or  
24 agricultural lien, a filing under this Article is not required  
25 to continue the perfected status of the security interest  
26 against creditors of and transferees from the original debtor.

27 Sec. 31. NEW SECTION. 554.9311 PERFECTION OF SECURITY  
28 INTERESTS IN PROPERTY SUBJECT TO CERTAIN STATUTES,  
29 REGULATIONS, AND TREATIES.

30 1. SECURITY INTEREST SUBJECT TO OTHER LAW. Except as  
31 otherwise provided in subsection 4, the filing of a financing  
32 statement is not necessary or effective to perfect a security  
33 interest in property subject to:

34 a. a statute, regulation, or treaty of the United States  
35 whose requirements for a security interest's obtaining

1 priority over the rights of a lien creditor with respect to  
2 the property preempt section 554.9310, subsection 1;

3 b. any certificate-of-title statute, including as provided  
4 in chapter 321, covering automobiles, trailers, mobile homes,  
5 boats, farm tractors, or the like, which provides for a  
6 security interest to be indicated on the certificate as a  
7 condition or result of perfection; or

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

13 2. COMPLIANCE WITH OTHER LAW. Compliance with the  
14 requirements of a statute, regulation, or treaty described in  
15 subsection 1 for obtaining priority over the rights of a lien  
16 creditor is equivalent to the filing of a financing statement  
17 under this Article. Except as otherwise provided in  
18 subsection 4 and sections 554.9313 and 554.9316, subsections 4  
19 and 5, for goods covered by a certificate of title, a security  
20 interest in property subject to a statute, regulation, or  
21 treaty described in subsection 1 may be perfected only by  
22 compliance with those requirements, and a security interest so  
23 perfected remains perfected notwithstanding a change in the  
24 use or transfer of possession of the collateral.

25 3. DURATION AND RENEWAL OF PERFECTION. Except as  
26 otherwise provided in subsection 4 and section 554.9316,  
27 subsections 4 and 5, duration and renewal of perfection of a  
28 security interest perfected by compliance with the  
29 requirements prescribed by a statute, regulation, or treaty  
30 described in subsection 1 are governed by the statute,  
31 regulation, or treaty. In other respects, the security  
32 interest is subject to this Article.

33 4. INAPPLICABILITY TO CERTAIN INVENTORY. During any  
34 period in which collateral is inventory held for sale or lease  
35 by a person or leased by that person as lessor and that person



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

4 Sec. 32. NEW SECTION. 554.9312 PERFECTION OF SECURITY  
5 INTERESTS IN CHATTEL PAPER, DEPOSIT ACCOUNTS, DOCUMENTS, GOODS  
6 COVERED BY DOCUMENTS, INSTRUMENTS, INVESTMENT PROPERTY,  
7 LETTER-OF-CREDIT RIGHTS, AND MONEY -- PERFECTION BY PERMISSIVE  
8 FILING -- TEMPORARY PERFECTION WITHOUT FILING OR TRANSFER OF  
9 POSSESSION.

10 1. PERFECTION BY FILING PERMITTED. A security interest in  
11 chattel paper, negotiable documents, instruments, or  
12 investment property may be perfected by filing.

13 2. CONTROL OR POSSESSION OF CERTAIN COLLATERAL. Except as  
14 otherwise provided in section 554.9315, subsections 3 and 4,  
15 for proceeds:

16 a. a security interest in a deposit account may be  
17 perfected only by control under section 554.9314;

18 b. and except as otherwise provided in section 554.9308,  
19 subsection 4, a security interest in a letter-of-credit right  
20 may be perfected only by control under section 554.9314; and

21 c. a security interest in money may be perfected only by  
22 the secured party's taking possession under section 554.9313.

23 3. GOODS COVERED BY NEGOTIABLE DOCUMENT. While goods are  
24 in the possession of a bailee that has issued a negotiable  
25 document covering the goods:

26 a. a security interest in the goods may be perfected by  
27 perfecting a security interest in the document; and

28 b. a security interest perfected in the document has  
29 priority over any security interest that becomes perfected in  
30 the goods by another method during that time.

31 4. GOODS COVERED BY NONNEGOTIABLE DOCUMENT. While goods  
32 are in the possession of a bailee that has issued a  
33 nonnegotiable document covering the goods, a security interest  
34 in the goods may be perfected by:

35 a. issuance of a document in the name of the secured

1 party;

2     b. the bailee's receipt of notification of the secured

3 party's interest; or

4     c. filing as to the goods.

5     5. TEMPORARY PERFECTION -- NEW VALUE. A security interest

6 in certificated securities, negotiable documents, or

7 instruments is perfected without filing or the taking of

8 possession for a period of twenty days from the time it

9 attaches to the extent that it arises for new value given

10 under an authenticated security agreement.

11     6. TEMPORARY PERFECTION -- GOODS OR DOCUMENTS MADE

12 AVAILABLE TO DEBTOR. A perfected security interest in a

13 negotiable document or goods in possession of a bailee, other

14 than one that has issued a negotiable document for the goods,

15 remains perfected for twenty days without filing if the

16 secured party makes available to the debtor the goods or

17 documents representing the goods for the purpose of:

18     a. ultimate sale or exchange; or

19     b. loading, unloading, storing, shipping, transshipping,

20 manufacturing, processing, or otherwise dealing with them in a

21 manner preliminary to their sale or exchange.

22     7. TEMPORARY PERFECTION -- DELIVERY OF SECURITY

23 CERTIFICATE OR INSTRUMENT TO DEBTOR. A perfected security

24 interest in a certificated security or instrument remains

25 perfected for twenty days without filing if the secured party

26 delivers the security certificate or instrument to the debtor

27 for the purpose of:

28     a. ultimate sale or exchange; or

29     b. presentation, collection, enforcement, renewal, or

30 registration of transfer.

31     8. EXPIRATION OF TEMPORARY PERFECTION. After the twenty-

32 day period specified in subsection 5, 6, or 7 expires,

33 perfection depends upon compliance with this Article.

34     Sec. 33. NEW SECTION. 554.9313 WHEN POSSESSION BY OR

35 DELIVERY TO SECURED PARTY PERFECTS SECURITY INTEREST WITHOUT

1 FILING.

2 1. PERFECTION BY POSSESSION OR DELIVERY. Except as  
3 otherwise provided in subsection 2, a secured party may  
4 perfect a security interest in negotiable documents, goods,  
5 instruments, money, or tangible chattel paper by taking  
6 possession of the collateral. A secured party may perfect a  
7 security interest in certificated securities by taking  
8 delivery of the certificated securities under section  
9 554.8301.

10 2. GOODS COVERED BY CERTIFICATE OF TITLE. With respect to  
11 goods covered by a certificate of title issued by this state,  
12 a secured party may perfect a security interest in the goods  
13 by taking possession of the goods only in the circumstances  
14 described in section 554.9316, subsection 4.

15 3. COLLATERAL IN POSSESSION OF PERSON OTHER THAN DEBTOR.  
16 With respect to collateral other than certificated securities  
17 and goods covered by a document, a secured party takes  
18 possession of collateral in the possession of a person other  
19 than the debtor, the secured party, or a lessee of the  
20 collateral from the debtor in the ordinary course of the  
21 debtor's business, when:

22 a. the person in possession authenticates a record  
23 acknowledging that it holds possession of the collateral for  
24 the secured party's benefit; or

25 b. the person takes possession of the collateral after  
26 having authenticated a record acknowledging that it will hold  
27 possession of collateral for the secured party's benefit.

28 4. TIME OF PERFECTION BY POSSESSION -- CONTINUATION OF  
29 PERFECTION. If perfection of a security interest depends upon  
30 possession of the collateral by a secured party, perfection  
31 occurs no earlier than the time the secured party takes  
32 possession and continues only while the secured party retains  
33 possession.

34 5. TIME OF PERFECTION BY DELIVERY -- CONTINUATION OF  
35 PERFECTION. A security interest in a certificated security in

1 registered form is perfected by delivery when delivery of the  
2 certificated security occurs under section 554.8301 and  
3 remains perfected by delivery until the debtor obtains  
4 possession of the security certificate.

5 6. ACKNOWLEDGMENT NOT REQUIRED. A person in possession of  
6 collateral is not required to acknowledge that it holds  
7 possession for a secured party's benefit.

8 7. EFFECTIVENESS OF ACKNOWLEDGMENT -- NO DUTIES OR  
9 CONFIRMATION. If a person acknowledges that it holds  
10 possession for the secured party's benefit:

11 a. the acknowledgment is effective under subsection 3 or  
12 section 554.8301, subsection 1, even if the acknowledgment  
13 violates the rights of a debtor; and

14 b. unless the person otherwise agrees or law other than  
15 this Article otherwise provides, the person does not owe any  
16 duty to the secured party and is not required to confirm the  
17 acknowledgment to another person.

18 8. SECURED PARTY'S DELIVERY TO PERSON OTHER THAN DEBTOR.  
19 A secured party having possession of collateral does not  
20 relinquish possession by delivering the collateral to a person  
21 other than the debtor or a lessee of the collateral from the  
22 debtor in the ordinary course of the debtor's business if the  
23 person was instructed before the delivery or is instructed  
24 contemporaneously with the delivery:

25 a. to hold possession of the collateral for the secured  
26 party's benefit; or

27 b. to redeliver the collateral to the secured party.

28 9. EFFECT OF DELIVERY UNDER SUBSECTION 8 -- NO DUTIES OR  
29 CONFIRMATION. A secured party does not relinquish possession,  
30 even if a delivery under subsection 8 violates the rights of a  
31 debtor. A person to which collateral is delivered under  
32 subsection 8 does not owe any duty to the secured party and is  
33 not required to confirm the delivery to another person unless  
34 the person otherwise agrees or law other than this Article  
35 otherwise provides.

1 Sec. 34. NEW SECTION. 554.9314 PERFECTION BY CONTROL.

2 1. PERFECTION BY CONTROL. A security interest in  
3 investment property, deposit accounts, letter-of-credit  
4 rights, or electronic chattel paper may be perfected by  
5 control of the collateral under section 554.9104, 554.9105,  
6 554.9106, or 554.9107.

7 2. SPECIFIED COLLATERAL -- TIME OF PERFECTION BY CONTROL  
8 -- CONTINUATION OF PERFECTION. A security interest in deposit  
9 accounts, electronic chattel paper, or letter-of-credit rights  
10 is perfected by control under section 554.9104, 554.9105, or  
11 554.9107 when the secured party obtains control and remains  
12 perfected by control only while the secured party retains  
13 control.

14 3. INVESTMENT PROPERTY -- TIME OF PERFECTION BY CONTROL --  
15 CONTINUATION OF PERFECTION. A security interest in investment  
16 property is perfected by control under section 554.9106 from  
17 the time the secured party obtains control and remains  
18 perfected by control until:

- 19 a. the secured party does not have control; and
- 20 b. one of the following occurs:
  - 21 (1) if the collateral is a certificated security, the
  - 22 debtor has or acquires possession of the security certificate;
  - 23 (2) if the collateral is an uncertificated security, the
  - 24 issuer has registered or registers the debtor as the
  - 25 registered owner; or
  - 26 (3) if the collateral is a security entitlement, the
  - 27 debtor is or becomes the entitlement holder.

28 Sec. 35. NEW SECTION. 554.9315 SECURED PARTY'S RIGHTS ON  
29 DISPOSITION OF COLLATERAL AND IN PROCEEDS.

30 1. DISPOSITION OF COLLATERAL -- CONTINUATION OF SECURITY  
31 INTEREST OR AGRICULTURAL LIEN -- PROCEEDS. Except as  
32 otherwise provided in this Article and in section 554.2403,  
33 subsection 2:

34 a. a security interest or agricultural lien continues in  
35 collateral notwithstanding sale, lease, license, exchange, or

1 other disposition thereof unless the secured party authorized  
2 the disposition free of the security interest or agricultural  
3 lien; and

4 b. a security interest attaches to any identifiable  
5 proceeds of collateral.

6 2. WHEN COMMINGLED PROCEEDS IDENTIFIABLE. Proceeds that  
7 are commingled with other property are identifiable proceeds:

8 a. if the proceeds are goods, to the extent provided by  
9 section 554.9336; and

10 b. if the proceeds are not goods, to the extent that the  
11 secured party identifies the proceeds by a method of tracing,  
12 including application of equitable principles, that is  
13 permitted under law other than this Article with respect to  
14 commingled property of the type involved.

15 3. PERFECTION OF SECURITY INTEREST IN PROCEEDS. A  
16 security interest in proceeds is a perfected security interest  
17 if the security interest in the original collateral was  
18 perfected.

19 4. CONTINUATION OF PERFECTION. A perfected security  
20 interest in proceeds becomes unperfected on the twenty-first  
21 day after the security interest attaches to the proceeds  
22 unless:

23 a. the following conditions are satisfied:

24 (1) a filed financing statement covers the original  
25 collateral;

26 (2) the proceeds are collateral in which a security  
27 interest may be perfected by filing in the office in which the  
28 financing statement has been filed; and

29 (3) the proceeds are not acquired with cash proceeds;

30 b. the proceeds are identifiable cash proceeds; or

31 c. the security interest in the proceeds is perfected  
32 other than under subsection 3 when the security interest  
33 attaches to the proceeds or within twenty days thereafter.

34 5. WHEN PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES  
35 UNPERFECTED. If a filed financing statement covers the

1 original collateral, a security interest in proceeds which  
2 remains perfected under subsection 4, paragraph "a", becomes  
3 unperfected at the later of:

4 a. when the effectiveness of the filed financing statement  
5 lapses under section 554.9515 or is terminated under section  
6 554.9513; or

7 b. the twenty-first day after the security interest  
8 attaches to the proceeds.

9 Sec. 36. NEW SECTION. 554.9316 CONTINUED PERFECTION OF  
10 SECURITY INTEREST FOLLOWING CHANGE IN GOVERNING LAW.

11 1. GENERAL RULE -- EFFECT ON PERFECTION OF CHANGE IN  
12 GOVERNING LAW. A security interest perfected pursuant to the  
13 law of the jurisdiction designated in section 554.9301,  
14 subsection 1, or section 554.9305, subsection 3, remains  
15 perfected until the earliest of:

16 a. the time perfection would have ceased under the law of  
17 that jurisdiction;

18 b. the expiration of four months after a change of the  
19 debtor's location to another jurisdiction; or

20 c. the expiration of one year after a transfer of  
21 collateral to a person that thereby becomes a debtor and is  
22 located in another jurisdiction.

23 2. SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF  
24 NEW JURISDICTION. If a security interest described in  
25 subsection 1 becomes perfected under the law of the other  
26 jurisdiction before the earliest time or event described in  
27 that subsection, it remains perfected thereafter. If the  
28 security interest does not become perfected under the law of  
29 the other jurisdiction before the earliest time or event, it  
30 becomes unperfected and is deemed never to have been perfected  
31 as against a purchaser of the collateral for value.

32 3. POSSESSORY SECURITY INTEREST IN COLLATERAL MOVED TO NEW  
33 JURISDICTION. A possessory security interest in collateral,  
34 other than goods covered by a certificate of title and as-  
35 extracted collateral consisting of goods, remains continuously

1 perfected if:

2 a. the collateral is located in one jurisdiction and  
3 subject to a security interest perfected under the law of that  
4 jurisdiction;

5 b. thereafter the collateral is brought into another  
6 jurisdiction; and

7 c. upon entry into the other jurisdiction, the security  
8 interest is perfected under the law of the other jurisdiction.

9 4. GOODS COVERED BY CERTIFICATE OF TITLE FROM THIS STATE.  
10 Except as otherwise provided in subsection 5, a security  
11 interest in goods covered by a certificate of title which is  
12 perfected by any method under the law of another jurisdiction  
13 when the goods become covered by a certificate of title from  
14 this state remains perfected until the security interest would  
15 have become unperfected under the law of the other  
16 jurisdiction had the goods not become so covered.

17 5. WHEN SUBSECTION 4 SECURITY INTEREST BECOMES UNPERFECTED  
18 AGAINST PURCHASERS. A security interest described in  
19 subsection 4 becomes unperfected as against a purchaser of the  
20 goods for value and is deemed never to have been perfected as  
21 against a purchaser of the goods for value if the applicable  
22 requirements for perfection under section 554.9311, subsection  
23 2, or section 554.9313 are not satisfied before the earlier  
24 of:

25 a. the time the security interest would have become  
26 unperfected under the law of the other jurisdiction had the  
27 goods not become covered by a certificate of title from this  
28 state; or

29 b. the expiration of four months after the goods had  
30 become so covered.

31 6. CHANGE IN JURISDICTION OF BANK, ISSUER, NOMINATED  
32 PERSON, SECURITIES INTERMEDIARY, OR COMMODITY INTERMEDIARY. A  
33 security interest in deposit accounts, letter-of-credit  
34 rights, or investment property which is perfected under the  
35 law of the bank's jurisdiction, the issuer's jurisdiction, a



1 nominated person's jurisdiction, the securities intermediary's  
2 jurisdiction, or the commodity intermediary's jurisdiction, as  
3 applicable, remains perfected until the earlier of:

4 a. the time the security interest would have become  
5 unperfected under the law of that jurisdiction; or

6 b. the expiration of four months after a change of the  
7 applicable jurisdiction to another jurisdiction.

8 7. SUBSECTION 6 SECURITY INTEREST PERFECTED OR UNPERFECTED  
9 UNDER LAW OF NEW JURISDICTION. If a security interest  
10 described in subsection 6 becomes perfected under the law of  
11 the other jurisdiction before the earlier of the time or the  
12 end of the period described in that subsection, it remains  
13 perfected thereafter. If the security interest does not  
14 become perfected under the law of the other jurisdiction  
15 before the earlier of that time or the end of that period, it  
16 becomes unperfected and is deemed never to have been perfected  
17 as against a purchaser of the collateral for value.

18 C. PRIORITY

19 Sec. 37. NEW SECTION. 554.9317 INTERESTS THAT TAKE  
20 PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST OR  
21 AGRICULTURAL LIEN.

22 1. CONFLICTING SECURITY INTERESTS AND RIGHTS OF LIEN  
23 CREDITORS. A security interest or agricultural lien is  
24 subordinate to the rights of:

25 a. a person entitled to priority under section 554.9322;  
26 and

27 b. except as otherwise provided in subsection 5, a person  
28 that becomes a lien creditor before the earlier of the time  
29 the security interest or agricultural lien is perfected or a  
30 financing statement covering the collateral is filed.

31 2. BUYERS THAT RECEIVE DELIVERY. Except as otherwise  
32 provided in subsection 5, a buyer, other than a secured party,  
33 of tangible chattel paper, documents, goods, instruments, or a  
34 security certificate takes free of a security interest or  
35 agricultural lien if the buyer gives value and receives

1 delivery of the collateral without knowledge of the security  
2 interest or agricultural lien and before it is perfected.

3 3. LESSEES THAT RECEIVE DELIVERY. Except as otherwise  
4 provided in subsection 5, a lessee of goods takes free of a  
5 security interest or agricultural lien if the lessee gives  
6 value and receives delivery of the collateral without  
7 knowledge of the security interest or agricultural lien and  
8 before it is perfected.

9 4. LICENSEES AND BUYERS OF CERTAIN COLLATERAL. A licensee  
10 of a general intangible or a buyer, other than a secured  
11 party, of accounts, electronic chattel paper, general  
12 intangibles, or investment property other than a certificated  
13 security takes free of a security interest if the licensee or  
14 buyer gives value without knowledge of the security interest  
15 and before it is perfected.

16 5. PURCHASE-MONEY SECURITY INTEREST. Except as otherwise  
17 provided in sections 554.9320 and 554.9321, if a person files  
18 a financing statement with respect to a purchase-money  
19 security interest before or within twenty days after the  
20 debtor receives delivery of the collateral, the security  
21 interest takes priority over the rights of a buyer, lessee, or  
22 lien creditor which arise between the time the security  
23 interest attaches and the time of filing.

24 Sec. 38. NEW SECTION. 554.9318 NO INTEREST RETAINED IN  
25 RIGHT TO PAYMENT THAT IS SOLD -- RIGHTS AND TITLE OF SELLER OF  
26 ACCOUNT OR CHATTEL PAPER WITH RESPECT TO CREDITORS AND  
27 PURCHASERS.

28 1. SELLER RETAINS NO INTEREST. A debtor that has sold an  
29 account, chattel paper, payment intangible, or promissory note  
30 does not retain a legal or equitable interest in the  
31 collateral sold.

32 2. DEEMED RIGHTS OF DEBTOR IF BUYER'S SECURITY INTEREST  
33 UNPERFECTED. For purposes of determining the rights of  
34 creditors of, and purchasers for value of an account or  
35 chattel paper from, a debtor that has sold an account or

1 chattel paper, while the buyer's security interest is  
2 unperfected, the debtor is deemed to have rights and title to  
3 the account or chattel paper identical to those the debtor  
4 sold.

5 Sec. 39. NEW SECTION. 554.9319 RIGHTS AND TITLE OF  
6 CONSIGNEE WITH RESPECT TO CREDITORS AND PURCHASERS.

7 1. CONSIGNEE HAS CONSIGNOR'S RIGHTS. Except as otherwise  
8 provided in subsection 2, for purposes of determining the  
9 rights of creditors of, and purchasers for value of goods  
10 from, a consignee, while the goods are in the possession of  
11 the consignee, the consignee is deemed to have rights and  
12 title to the goods identical to those the consignor had or had  
13 power to transfer.

14 2. APPLICABILITY OF OTHER LAW. For purposes of  
15 determining the rights of a creditor of a consignee, law other  
16 than this Article determines the rights and title of a  
17 consignee while goods are in the consignee's possession if,  
18 under this part, a perfected security interest held by the  
19 consignor would have priority over the rights of the creditor.

20 Sec. 40. NEW SECTION. 554.9320 BUYER OF GOODS.

21 1. BUYER IN ORDINARY COURSE OF BUSINESS. Except as  
22 otherwise provided in subsection 5, a buyer in ordinary course  
23 of business, other than a person buying farm products from a  
24 person engaged in farming operations, takes free of a security  
25 interest created by the buyer's seller, even if the security  
26 interest is perfected and the buyer knows of its existence.

27 2. BUYER OF CONSUMER GOODS. Except as otherwise provided  
28 in subsection 5, a buyer of goods from a person who used or  
29 bought the goods for use primarily for personal, family, or  
30 household purposes takes free of a security interest, even if  
31 perfected, if the buyer buys:

- 32 a. without knowledge of the security interest;  
33 b. for value;  
34 c. primarily for the buyer's personal, family, or  
35 household purposes; and

1 d. before the filing of a financing statement covering the  
2 goods.

3 3. EFFECTIVENESS OF FILING FOR SUBSECTION 2. To the  
4 extent that it affects the priority of a security interest  
5 over a buyer of goods under subsection 2, the period of  
6 effectiveness of a filing made in the jurisdiction in which  
7 the seller is located is governed by section 554.9316,  
8 subsections 1 and 2.

9 4. BUYER IN ORDINARY COURSE OF BUSINESS AT WELLHEAD OR  
10 MINEHEAD. A buyer in ordinary course of business buying oil,  
11 gas, or other minerals at the wellhead or minehead or after  
12 extraction takes free of an interest arising out of an  
13 encumbrance.

14 5. POSSESSORY SECURITY INTEREST NOT AFFECTED. Subsections  
15 1 and 2 do not affect a security interest in goods in the  
16 possession of the secured party under section 554.9313.

17 Sec. 41. NEW SECTION. 554.9321 LICENSEE OF GENERAL  
18 INTANGIBLE AND LESSEE OF GOODS IN ORDINARY COURSE OF BUSINESS.

19 1. LICENSEE IN ORDINARY COURSE OF BUSINESS. In this  
20 section, "licensee in ordinary course of business" means a  
21 person that becomes a licensee of a general intangible in good  
22 faith, without knowledge that the license violates the rights  
23 of another person in the general intangible, and in the  
24 ordinary course from a person in the business of licensing  
25 general intangibles of that kind. A person becomes a licensee  
26 in the ordinary course if the license to the person comports  
27 with the usual or customary practices in the kind of business  
28 in which the licensor is engaged or with the licensor's own  
29 usual or customary practices.

30 2. RIGHTS OF LICENSEE IN ORDINARY COURSE OF BUSINESS. A  
31 licensee in ordinary course of business takes its rights under  
32 a nonexclusive license free of a security interest in the  
33 general intangible created by the licensor, even if the  
34 security interest is perfected and the licensee knows of its  
35 existence.

1 3. RIGHTS OF LESSEE IN ORDINARY COURSE OF BUSINESS. A  
2 lessee in ordinary course of business takes its leasehold  
3 interest free of a security interest in the goods created by  
4 the lessor, even if the security interest is perfected and the  
5 lessee knows of its existence.

6 Sec. 42. NEW SECTION. 554.9322 PRIORITIES AMONG  
7 CONFLICTING SECURITY INTERESTS IN AND AGRICULTURAL LIENS ON  
8 SAME COLLATERAL.

9 1. GENERAL PRIORITY RULES. Except as otherwise provided  
10 in this section, priority among conflicting security interests  
11 and agricultural liens in the same collateral is determined  
12 according to the following rules:

13 a. Conflicting perfected security interests and  
14 agricultural liens rank according to priority in time of  
15 filing or perfection. Priority dates from the earlier of the  
16 time a filing covering the collateral is first made or the  
17 security interest or agricultural lien is first perfected, if  
18 there is no period thereafter when there is neither filing nor  
19 perfection.

20 b. A perfected security interest or agricultural lien has  
21 priority over a conflicting unperfected security interest or  
22 agricultural lien.

23 c. The first security interest or agricultural lien to  
24 attach or become effective has priority if conflicting  
25 security interests and agricultural liens are unperfected.

26 2. TIME OF PERFECTION -- PROCEEDS AND SUPPORTING  
27 OBLIGATIONS. For the purposes of subsection 1, paragraph "a":

28 a. the time of filing or perfection as to a security  
29 interest in collateral is also the time of filing or  
30 perfection as to a security interest in proceeds; and

31 b. the time of filing or perfection as to a security  
32 interest in collateral supported by a supporting obligation is  
33 also the time of filing or perfection as to a security  
34 interest in the supporting obligation.

35 3. SPECIAL PRIORITY RULES -- PROCEEDS AND SUPPORTING

1 OBLIGATIONS. Except as otherwise provided in subsection 6, a  
2 security interest in collateral which qualifies for priority  
3 over a conflicting security interest under section 554.9327,  
4 554.9328, 554.9329, 554.9330, or 554.9331 also has priority  
5 over a conflicting security interest in:

- 6 a. any supporting obligation for the collateral; and
- 7 b. proceeds of the collateral if:

8 (1) the security interest in proceeds is perfected;

9 (2) the proceeds are cash proceeds or of the same type as  
10 the collateral; and

11 (3) in the case of proceeds that are proceeds of proceeds,  
12 all intervening proceeds are cash proceeds, proceeds of the  
13 same type as the collateral, or an account relating to the  
14 collateral.

15 4. FIRST-TO-FILE PRIORITY RULE FOR CERTAIN COLLATERAL.

16 Subject to subsection 5 and except as otherwise provided in  
17 subsection 6, if a security interest in chattel paper, deposit  
18 accounts, negotiable documents, instruments, investment  
19 property, or letter-of-credit rights is perfected by a method  
20 other than filing, conflicting perfected security interests in  
21 proceeds of the collateral rank according to priority in time  
22 of filing.

23 5. APPLICABILITY OF SUBSECTION 4. Subsection 4 applies  
24 only if the proceeds of the collateral are not cash proceeds,  
25 chattel paper, negotiable documents, instruments, investment  
26 property, or letter-of-credit rights.

27 6. LIMITATIONS ON SUBSECTIONS 1 THROUGH 5. Subsections 1  
28 through 5 are subject to:

29 a. subsection 7 and the other provisions of this part;

30 b. section 554.4210 with respect to a security interest of  
31 a collecting bank;

32 c. section 554.5118 with respect to a security interest of  
33 an issuer or nominated person; and

34 d. section 554.9110 with respect to a security interest  
35 arising under Article 2 or 13.

1 7. PRIORITY UNDER AGRICULTURAL LIEN STATUTE. A perfected  
2 agricultural lien on collateral has priority over a  
3 conflicting security interest in or agricultural lien on the  
4 same collateral if the statute creating the agricultural lien  
5 so provides.

6 Sec. 43. NEW SECTION. 554.9323 FUTURE ADVANCES.

7 1. WHEN PRIORITY BASED ON TIME OF ADVANCE. Except as  
8 otherwise provided in subsection 3, for purposes of  
9 determining the priority of a perfected security interest  
10 under section 554.9322, subsection 1, paragraph "a",  
11 perfection of the security interest dates from the time an  
12 advance is made to the extent that the security interest  
13 secures an advance that:

14 a. is made while the security interest is perfected only:

15 (1) under section 554.9309 when it attaches; or

16 (2) temporarily under section 554.9312, subsection 5, 6,  
17 or 7; and

18 b. is not made pursuant to a commitment entered into  
19 before or while the security interest is perfected by a method  
20 other than under section 554.9309 or 554.9312, subsection 5,  
21 6, or 7.

22 2. LIEN CREDITOR. Except as otherwise provided in  
23 subsection 3, a security interest is subordinate to the rights  
24 of a person that becomes a lien creditor to the extent that  
25 the security interest secures an advance made more than forty-  
26 five days after the person becomes a lien creditor unless the  
27 advance is made:

28 a. without knowledge of the lien; or

29 b. pursuant to a commitment entered into without knowledge  
30 of the lien.

31 3. BUYER OF RECEIVABLES. Subsections 1 and 2 do not apply  
32 to a security interest held by a secured party that is a buyer  
33 of accounts, chattel paper, payment intangibles, or promissory  
34 notes or a consignor.

35 4. BUYER OF GOODS. Except as otherwise provided in

1 subsection 5, a buyer of goods other than a buyer in ordinary  
2 course of business takes free of a security interest to the  
3 extent that it secures advances made after the earlier of:

- 4 a. the time the secured party acquires knowledge of the
- 5 buyer's purchase; or
- 6 b. forty-five days after the purchase.

7 5. ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF  
8 BUYER OF GOODS. Subsection 4 does not apply if the advance is  
9 made pursuant to a commitment entered into without knowledge  
10 of the buyer's purchase and before the expiration of the  
11 forty-five-day period.

12 6. LESSEE OF GOODS. Except as otherwise provided in  
13 subsection 7, a lessee of goods, other than a lessee in  
14 ordinary course of business, takes the leasehold interest free  
15 of a security interest to the extent that it secures advances  
16 made after the earlier of:

- 17 a. the time the secured party acquires knowledge of the
- 18 lease; or
- 19 b. forty-five days after the lease contract becomes
- 20 enforceable.

21 7. ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF  
22 LESSEE OF GOODS. Subsection 6 does not apply if the advance  
23 is made pursuant to a commitment entered into without  
24 knowledge of the lease and before the expiration of the forty-  
25 five-day period.

26 Sec. 44. NEW SECTION. 554.9324 PRIORITY OF PURCHASE-  
27 MONEY SECURITY INTERESTS.

28 1. GENERAL RULE -- PURCHASE-MONEY PRIORITY. Except as  
29 otherwise provided in subsection 7, a perfected purchase-money  
30 security interest in goods other than inventory or livestock  
31 has priority over a conflicting security interest in the same  
32 goods, and, except as otherwise provided in section 554.9327,  
33 a perfected security interest in its identifiable proceeds  
34 also has priority, if the purchase-money security interest is  
35 perfected when the debtor receives possession of the



1 collateral or within twenty days thereafter.

2 2. INVENTORY PURCHASE-MONEY PRIORITY. Subject to  
3 subsection 3 and except as otherwise provided in subsection 7,  
4 a perfected purchase-money security interest in inventory has  
5 priority over a conflicting security interest in the same  
6 inventory, has priority over a conflicting security interest  
7 in chattel paper or an instrument constituting proceeds of the  
8 inventory and in proceeds of the chattel paper, if so provided  
9 in section 554.9330, and, except as otherwise provided in  
10 section 554.9327, also has priority in identifiable cash  
11 proceeds of the inventory to the extent the identifiable cash  
12 proceeds are received on or before the delivery of the  
13 inventory to a buyer, if:

- 14 a. the purchase-money security interest is perfected when
- 15 the debtor receives possession of the inventory;
- 16 b. the purchase-money secured party sends an authenticated
- 17 notification to the holder of the conflicting security
- 18 interest;
- 19 c. the holder of the conflicting security interest
- 20 receives the notification within five years before the debtor
- 21 receives possession of the inventory; and
- 22 d. the notification states that the person sending the
- 23 notification has or expects to acquire a purchase-money
- 24 security interest in inventory of the debtor and describes the
- 25 inventory.

26 3. HOLDERS OF CONFLICTING INVENTORY SECURITY INTERESTS TO  
27 BE NOTIFIED. Subsection 2, paragraphs "b" through "d", apply  
28 only if the holder of the conflicting security interest had  
29 filed a financing statement covering the same types of  
30 inventory:

- 31 a. if the purchase-money security interest is perfected by
- 32 filing, before the date of the filing; or
- 33 b. if the purchase-money security interest is temporarily
- 34 perfected without filing or possession under section 554.9312,
- 35 subsection 6, before the beginning of the twenty-day period

1 thereunder.

2 4. LIVESTOCK PURCHASE-MONEY PRIORITY. Subject to  
3 subsection 5 and except as otherwise provided in subsection 7,  
4 a perfected purchase-money security interest in livestock that  
5 are farm products has priority over a conflicting security  
6 interest in the same livestock, and, except as otherwise  
7 provided in section 554.9327, a perfected security interest in  
8 their identifiable proceeds and identifiable products in their  
9 unmanufactured states also has priority, if:

10 a. the purchase-money security interest is perfected when  
11 the debtor receives possession of the livestock;

12 b. the purchase-money secured party sends an authenticated  
13 notification to the holder of the conflicting security  
14 interest;

15 c. the holder of the conflicting security interest  
16 receives the notification within six months before the debtor  
17 receives possession of the livestock; and

18 d. the notification states that the person sending the  
19 notification has or expects to acquire a purchase-money  
20 security interest in livestock of the debtor and describes the  
21 livestock.

22 5. HOLDERS OF CONFLICTING LIVESTOCK SECURITY INTERESTS TO  
23 BE NOTIFIED. Subsection 4, paragraphs "b" through "d", apply  
24 only if the holder of the conflicting security interest had  
25 filed a financing statement covering the same types of  
26 livestock:

27 a. if the purchase-money security interest is perfected by  
28 filing, before the date of the filing; or

29 b. if the purchase-money security interest is temporarily  
30 perfected without filing or possession under section 554.9312,  
31 subsection 6, before the beginning of the twenty-day period  
32 thereunder.

33 6. SOFTWARE PURCHASE-MONEY PRIORITY. Except as otherwise  
34 provided in subsection 7, a perfected purchase-money security  
35 interest in software has priority over a conflicting security

1 interest in the same collateral, and, except as otherwise  
2 provided in section 554.9327, a perfected security interest in  
3 its identifiable proceeds also has priority, to the extent  
4 that the purchase-money security interest in the goods in  
5 which the software was acquired for use has priority in the  
6 goods and proceeds of the goods under this section.

7 7. CONFLICTING PURCHASE-MONEY SECURITY INTERESTS. If more  
8 than one security interest qualifies for priority in the same  
9 collateral under subsection 1, 2, 4, or 6:

10 a. a security interest securing an obligation incurred as  
11 all or part of the price of the collateral has priority over a  
12 security interest securing an obligation incurred for value  
13 given to enable the debtor to acquire rights in or the use of  
14 collateral; and

15 b. in all other cases, section 554.9322, subsection 1,  
16 applies to the qualifying security interests.

17 Sec. 45. NEW SECTION. 554.9325 PRIORITY OF SECURITY  
18 INTERESTS IN TRANSFERRED COLLATERAL.

19 1. SUBORDINATION OF SECURITY INTEREST IN TRANSFERRED  
20 COLLATERAL. Except as otherwise provided in subsection 2, a  
21 security interest created by a debtor is subordinate to a  
22 security interest in the same collateral created by another  
23 person if:

24 a. the debtor acquired the collateral subject to the  
25 security interest created by the other person;

26 b. the security interest created by the other person was  
27 perfected when the debtor acquired the collateral; and

28 c. there is no period thereafter when the security  
29 interest is unperfected.

30 2. LIMITATION OF SUBSECTION 1 SUBORDINATION. Subsection 1  
31 subordinates a security interest only if the security  
32 interest:

33 a. otherwise would have priority solely under section  
34 554.9322, subsection 1, or section 554.9324; or

35 b. arose solely under section 554.2711, subsection 3, or

1 section 554.13508, subsection 5.

2 Sec. 46. NEW SECTION. 554.9326 PRIORITY OF SECURITY  
3 INTERESTS CREATED BY NEW DEBTOR.

4 1. SUBORDINATION OF SECURITY INTEREST CREATED BY NEW  
5 DEBTOR. Subject to subsection 2, a security interest created  
6 by a new debtor which is perfected by a filed financing  
7 statement that is effective solely under section 554.9508 in  
8 collateral in which a new debtor has or acquires rights is  
9 subordinate to a security interest in the same collateral  
10 which is perfected other than by a filed financing statement  
11 that is effective solely under section 554.9508.

12 2. PRIORITY UNDER OTHER PROVISIONS -- MULTIPLE ORIGINAL  
13 DEBTORS. The other provisions of this part determine the  
14 priority among conflicting security interests in the same  
15 collateral perfected by filed financing statements that are  
16 effective solely under section 554.9508. However, if the  
17 security agreements to which a new debtor became bound as  
18 debtor were not entered into by the same original debtor, the  
19 conflicting security interests rank according to priority in  
20 time of the new debtor's having become bound.

21 Sec. 47. NEW SECTION. 554.9327 PRIORITY OF SECURITY  
22 INTERESTS IN DEPOSIT ACCOUNT.

23 The following rules govern priority among conflicting  
24 security interests in the same deposit account:

25 1. A security interest held by a secured party having  
26 control of the deposit account under section 554.9104 has  
27 priority over a conflicting security interest held by a  
28 secured party that does not have control.

29 2. Except as otherwise provided in subsections 3 and 4,  
30 security interests perfected by control under section 554.9314  
31 rank according to priority in time of obtaining control.

32 3. Except as otherwise provided in subsection 4, a  
33 security interest held by the bank with which the deposit  
34 account is maintained has priority over a conflicting security  
35 interest held by another secured party.

1 4. A security interest perfected by control under section  
2 554.9104, subsection 1, paragraph "c", has priority over a  
3 security interest held by the bank with which the deposit  
4 account is maintained.

5 Sec. 48. NEW SECTION. 554.9328 PRIORITY OF SECURITY  
6 INTERESTS IN INVESTMENT PROPERTY.

7 The following rules govern priority among conflicting  
8 security interests in the same investment property:

9 1. A security interest held by a secured party having  
10 control of investment property under section 554.9106 has  
11 priority over a security interest held by a secured party that  
12 does not have control of the investment property.

13 2. Except as otherwise provided in subsections 3 and 4,  
14 conflicting security interests held by secured parties each of  
15 which has control under section 554.9106 rank according to  
16 priority in time of:

17 a. if the collateral is a security, obtaining control;

18 b. if the collateral is a security entitlement carried in  
19 a securities account and:

20 (1) if the secured party obtained control under section  
21 554.8106, subsection 4, paragraph "a", the secured party's  
22 becoming the person for which the securities account is  
23 maintained;

24 (2) if the secured party obtained control under section  
25 554.8106, subsection 4, paragraph "b", the securities  
26 intermediary's agreement to comply with the secured party's  
27 entitlement orders with respect to security entitlements  
28 carried or to be carried in the securities account; or

29 (3) if the secured party obtained control through another  
30 person under section 554.8106, subsection 4, paragraph "b",  
31 the time on which priority would be based under this  
32 subsection if the other person were the secured party; or

33 c. if the collateral is a commodity contract carried with  
34 a commodity intermediary, the satisfaction of the requirement  
35 for control specified in section 554.9106, subsection 2,

1 paragraph "b", with respect to commodity contracts carried or  
2 to be carried with the commodity intermediary.

3 3. A security interest held by a securities intermediary  
4 in a security entitlement or a securities account maintained  
5 with the securities intermediary has priority over a  
6 conflicting security interest held by another secured party.

7 4. A security interest held by a commodity intermediary in  
8 a commodity contract or a commodity account maintained with  
9 the commodity intermediary has priority over a conflicting  
10 security interest held by another secured party.

11 5. A security interest in a certificated security in  
12 registered form which is perfected by taking delivery under  
13 section 554.9313, subsection 1, and not by control under  
14 section 554.9314 has priority over a conflicting security  
15 interest perfected by a method other than control.

16 6. Conflicting security interests created by a broker,  
17 securities intermediary, or commodity intermediary which are  
18 perfected without control under section 554.9106 rank equally.

19 7. In all other cases, priority among conflicting security  
20 interests in investment property is governed by sections  
21 554.9322 and 554.9323.

22 Sec. 49. NEW SECTION. 554.9329 PRIORITY OF SECURITY  
23 INTERESTS IN LETTER-OF-CREDIT RIGHT.

24 The following rules govern priority among conflicting  
25 security interests in the same letter-of-credit right:

26 1. A security interest held by a secured party having  
27 control of the letter-of-credit right under section 554.9107  
28 has priority to the extent of its control over a conflicting  
29 security interest held by a secured party that does not have  
30 control.

31 2. Security interests perfected by control under section  
32 554.9314 rank according to priority in time of obtaining  
33 control.

34 Sec. 50. NEW SECTION. 554.9330 PRIORITY OF PURCHASER OF  
35 CHATTEL PAPER OR INSTRUMENT.

1 1. PURCHASER'S PRIORITY -- SECURITY INTEREST CLAIMED  
2 MERELY AS PROCEEDS. A purchaser of chattel paper has priority  
3 over a security interest in the chattel paper which is claimed  
4 merely as proceeds of inventory subject to a security interest  
5 if:

6 a. in good faith and in the ordinary course of the  
7 purchaser's business, the purchaser gives new value and takes  
8 possession of the chattel paper or obtains control of the  
9 chattel paper under section 554.9105; and

10 b. the chattel paper does not indicate that it has been  
11 assigned to an identified assignee other than the purchaser.

12 2. PURCHASER'S PRIORITY -- OTHER SECURITY INTERESTS. A  
13 purchaser of chattel paper has priority over a security  
14 interest in the chattel paper which is claimed other than  
15 merely as proceeds of inventory subject to a security interest  
16 if the purchaser gives new value and takes possession of the  
17 chattel paper or obtains control of the chattel paper under  
18 section 554.9105 in good faith, in the ordinary course of the  
19 purchaser's business, and without knowledge that the purchase  
20 violates the rights of the secured party.

21 3. CHATTEL PAPER PURCHASER'S PRIORITY IN PROCEEDS. Except  
22 as otherwise provided in section 554.9327, a purchaser having  
23 priority in chattel paper under subsection 1 or 2 also has  
24 priority in proceeds of the chattel paper to the extent that:

25 a. section 554.9322 provides for priority in the proceeds;  
26 or

27 b. the proceeds consist of the specific goods covered by  
28 the chattel paper or cash proceeds of the specific goods, even  
29 if the purchaser's security interest in the proceeds is  
30 unperfected.

31 4. INSTRUMENT PURCHASER'S PRIORITY. Except as otherwise  
32 provided in section 554.9331, subsection 1, a purchaser of an  
33 instrument has priority over a security interest in the  
34 instrument perfected by a method other than possession if the  
35 purchaser gives value and takes possession of the instrument

1 in good faith and without knowledge that the purchase violates  
2 the rights of the secured party.

3 5. HOLDER OF PURCHASE-MONEY SECURITY INTEREST GIVES NEW  
4 VALUE. For purposes of subsections 1 and 2, the holder of a  
5 purchase-money security interest in inventory gives new value  
6 for chattel paper constituting proceeds of the inventory.

7 6. INDICATION OF ASSIGNMENT GIVES KNOWLEDGE. For purposes  
8 of subsections 2 and 4, if chattel paper or an instrument  
9 indicates that it has been assigned to an identified secured  
10 party other than the purchaser, a purchaser of the chattel  
11 paper or instrument has knowledge that the purchase violates  
12 the rights of the secured party.

13 Sec. 51. NEW SECTION. 554.9331 PRIORITY OF RIGHTS OF  
14 PURCHASERS OF INSTRUMENTS, DOCUMENTS, AND SECURITIES UNDER  
15 OTHER ARTICLES -- PRIORITY OF INTERESTS IN FINANCIAL ASSETS  
16 AND SECURITY ENTITLEMENTS UNDER ARTICLE 8.

17 1. RIGHTS UNDER ARTICLES 3, 7, AND 8 NOT LIMITED. This  
18 Article does not limit the rights of a holder in due course of  
19 a negotiable instrument, a holder to which a negotiable  
20 document of title has been duly negotiated, or a protected  
21 purchaser of a security. These holders or purchasers take  
22 priority over an earlier security interest, even if perfected,  
23 to the extent provided in Articles 3, 7, and 8.

24 2. PROTECTION UNDER ARTICLE 8. This Article does not  
25 limit the rights of or impose liability on a person to the  
26 extent that the person is protected against the assertion of a  
27 claim under Article 8.

28 3. FILING NOT NOTICE. Filing under this Article does not  
29 constitute notice of a claim or defense to the holders, or  
30 purchasers, or persons described in subsections 1 and 2.

31 Sec. 52. NEW SECTION. 554.9332 TRANSFER OF MONEY --  
32 TRANSFER OF FUNDS FROM DEPOSIT ACCOUNT.

33 1. TRANSFEREE OF MONEY. A transferee of money takes the  
34 money free of a security interest unless the transferee acts  
35 in collusion with the debtor in violating the rights of the



1 secured party.

2 2. TRANSFEREE OF FUNDS FROM DEPOSIT ACCOUNT. A transferee  
3 of funds from a deposit account takes the funds free of a  
4 security interest in the deposit account unless the transferee  
5 acts in collusion with the debtor in violating the rights of  
6 the secured party.

7 Sec. 53. NEW SECTION. 554.9333 PRIORITY OF CERTAIN LIENS  
8 ARISING BY OPERATION OF LAW.

9 1. POSSESSORY LIEN. In this section, "possessory lien"  
10 means an interest, other than a security interest or an  
11 agricultural lien:

12 a. which secures payment or performance of an obligation  
13 for services or materials furnished with respect to goods by a  
14 person in the ordinary course of the person's business;

15 b. which is created by statute or rule of law in favor of  
16 the person; and

17 c. whose effectiveness depends on the person's possession  
18 of the goods.

19 2. PRIORITY OF POSSESSORY LIEN. A possessory lien on  
20 goods has priority over a security interest in the goods  
21 unless the lien is created by a statute that expressly  
22 provides otherwise.

23 Sec. 54. NEW SECTION. 554.9334 PRIORITY OF SECURITY  
24 INTERESTS IN FIXTURES AND CROPS.

25 1. SECURITY INTEREST IN FIXTURES UNDER THIS ARTICLE. A  
26 security interest under this Article may be created in goods  
27 that are fixtures or may continue in goods that become  
28 fixtures. A security interest does not exist under this  
29 Article in ordinary building materials incorporated into an  
30 improvement on land.

31 2. SECURITY INTEREST IN FIXTURES UNDER REAL-PROPERTY LAW.  
32 This Article does not prevent creation of an encumbrance upon  
33 fixtures under real property law.

34 3. GENERAL RULE -- SUBORDINATION OF SECURITY INTEREST IN  
35 FIXTURES. In cases not governed by subsections 4 through 8, a

1 security interest in fixtures is subordinate to a conflicting  
2 interest of an encumbrancer or owner of the related real  
3 property other than the debtor.

4 4. FIXTURES PURCHASE-MONEY PRIORITY. Except as otherwise  
5 provided in subsection 8, a perfected security interest in  
6 fixtures has priority over a conflicting interest of an  
7 encumbrancer or owner of the real property if the debtor has  
8 an interest of record in or is in possession of the real  
9 property and:

10 a. the security interest is a purchase-money security  
11 interest;

12 b. the interest of the encumbrancer or owner arises before  
13 the goods become fixtures; and

14 c. the security interest is perfected by a fixture filing  
15 before the goods become fixtures or within twenty days  
16 thereafter.

17 5. PRIORITY OF SECURITY INTEREST IN FIXTURES OVER  
18 INTERESTS IN REAL PROPERTY. A perfected security interest in  
19 fixtures has priority over a conflicting interest of an  
20 encumbrancer or owner of the real property if:

21 a. the debtor has an interest of record in the real  
22 property or is in possession of the real property and the  
23 security interest:

24 (1) is perfected by a fixture filing before the interest  
25 of the encumbrancer or owner is of record; and

26 (2) has priority over any conflicting interest of a  
27 predecessor in title of the encumbrancer or owner;

28 b. before the goods become fixtures, the security interest  
29 is perfected by any method permitted by this Article and the  
30 fixtures are readily removable:

31 (1) factory or office machines;

32 (2) equipment that is not primarily used or leased for use  
33 in the operation of the real property; or

34 (3) replacements of domestic appliances that are consumer  
35 goods;

1 c. the conflicting interest is a lien on the real property  
2 obtained by legal or equitable proceedings after the security  
3 interest was perfected by any method permitted by this

4 Article; or

5 d. the security interest is:

6 (1) created in a manufactured home in a manufactured-home  
7 transaction; and

8 (2) perfected pursuant to a statute described in section  
9 554.9311, subsection 1, paragraph "b".

10 6. PRIORITY BASED ON CONSENT, DISCLAIMER, OR RIGHT TO  
11 REMOVE. A security interest in fixtures, whether or not  
12 perfected, has priority over a conflicting interest of an  
13 encumbrancer or owner of the real property if:

14 a. the encumbrancer or owner has, in an authenticated  
15 record, consented to the security interest or disclaimed an  
16 interest in the goods as fixtures; or

17 b. the debtor has a right to remove the goods as against  
18 the encumbrancer or owner.

19 7. CONTINUATION OF SUBSECTION 6, PARAGRAPH "b", PRIORITY.  
20 The priority of the security interest under subsection 6,  
21 paragraph "b", continues for a reasonable time if the debtor's  
22 right to remove the goods as against the encumbrancer or owner  
23 terminates.

24 8. PRIORITY OF CONSTRUCTION MORTGAGE. A mortgage is a  
25 construction mortgage to the extent that it secures an  
26 obligation incurred for the construction of an improvement on  
27 land, including the acquisition cost of the land, if a  
28 recorded record of the mortgage so indicates. Except as  
29 otherwise provided in subsections 5 and 6, a security interest  
30 in fixtures is subordinate to a construction mortgage if a  
31 record of the mortgage is recorded before the goods become  
32 fixtures and the goods become fixtures before the completion  
33 of the construction. A mortgage has this priority to the same  
34 extent as a construction mortgage to the extent that it is  
35 given to refinance a construction mortgage.

1 9. PRIORITY OF SECURITY INTEREST IN CROPS. A perfected  
2 security interest in crops growing on real property has  
3 priority over a conflicting interest of an encumbrancer or  
4 owner of the real property if the debtor has an interest of  
5 record in or is in possession of the real property.

6 10. SUBSECTION 9 PREVAILS. Subsection 9 prevails over any  
7 inconsistent provisions of chapter 570.

8 Sec. 55. NEW SECTION. 554.9335 ACCESSIONS.

9 1. CREATION OF SECURITY INTEREST IN ACCESSION. A security  
10 interest may be created in an accession and continues in  
11 collateral that becomes an accession.

12 2. PERFECTION OF SECURITY INTEREST. If a security  
13 interest is perfected when the collateral becomes an  
14 accession, the security interest remains perfected in the  
15 collateral.

16 3. PRIORITY OF SECURITY INTEREST. Except as otherwise  
17 provided in subsection 4, the other provisions of this part  
18 determine the priority of a security interest in an accession.

19 4. COMPLIANCE WITH CERTIFICATE-OF-TITLE STATUTE. A  
20 security interest in an accession is subordinate to a security  
21 interest in the whole which is perfected by compliance with  
22 the requirements of a certificate-of-title statute under  
23 section 554.9311, subsection 2.

24 5. REMOVAL OF ACCESSION AFTER DEFAULT. After default,  
25 subject to part 6, a secured party may remove an accession  
26 from other goods if the security interest in the accession has  
27 priority over the claims of every person having an interest in  
28 the whole.

29 6. REIMBURSEMENT FOLLOWING REMOVAL. A secured party that  
30 removes an accession from other goods under subsection 5 shall  
31 promptly reimburse any holder of a security interest or other  
32 lien on, or owner of, the whole or of the other goods, other  
33 than the debtor, for the cost of repair of any physical injury  
34 to the whole or the other goods. The secured party need not  
35 reimburse the holder or owner for any diminution in value of

1 the whole or the other goods caused by the absence of the  
2 accession removed or by any necessity for replacing it. A  
3 person entitled to reimbursement may refuse permission to  
4 remove until the secured party gives adequate assurance for  
5 the performance of the obligation to reimburse.

6 Sec. 56. NEW SECTION. 554.9336 COMMINGLED GOODS.

7 1. COMMINGLED GOODS. In this section, "commingled goods"  
8 means goods that are physically united with other goods in  
9 such a manner that their identity is lost in a product or  
10 mass.

11 2. NO SECURITY INTEREST IN COMMINGLED GOODS AS SUCH. A  
12 security interest does not exist in commingled goods as such.  
13 However, a security interest may attach to a product or mass  
14 that results when goods become commingled goods.

15 3. ATTACHMENT OF SECURITY INTEREST TO PRODUCT OR MASS. If  
16 collateral becomes commingled goods, a security interest  
17 attaches to the product or mass.

18 4. PERFECTION OF SECURITY INTEREST. If a security  
19 interest in collateral is perfected before the collateral  
20 becomes commingled goods, the security interest that attaches  
21 to the product or mass under subsection 3 is perfected.

22 5. PRIORITY OF SECURITY INTEREST. Except as otherwise  
23 provided in subsection 6, the other provisions of this part  
24 determine the priority of a security interest that attaches to  
25 the product or mass under subsection 3.

26 6. CONFLICTING SECURITY INTERESTS IN PRODUCT OR MASS. If  
27 more than one security interest attaches to the product or  
28 mass under subsection 3, the following rules determine  
29 priority:

30 a. A security interest that is perfected under subsection  
31 4 has priority over a security interest that is unperfected at  
32 the time the collateral becomes commingled goods.

33 b. If more than one security interest is perfected under  
34 subsection 4, the security interests rank equally in  
35 proportion to the value of the collateral at the time it

1 became commingled goods.

2 Sec. 57. NEW SECTION. 554.9337 PRIORITY OF SECURITY  
3 INTERESTS IN GOODS COVERED BY CERTIFICATE OF TITLE.

4 If, while a security interest in goods is perfected by any  
5 method under the law of another jurisdiction, this state  
6 issues a certificate of title that does not show that the  
7 goods are subject to the security interest or contain a  
8 statement that they may be subject to security interests not  
9 shown on the certificate:

10 1. a buyer of the goods, other than a person in the  
11 business of selling goods of that kind, takes free of the  
12 security interest if the buyer gives value and receives  
13 delivery of the goods after issuance of the certificate and  
14 without knowledge of the security interest; and

15 2. the security interest is subordinate to a conflicting  
16 security interest in the goods that attaches, and is perfected  
17 under section 554.9311, subsection 2, after issuance of the  
18 certificate and without the conflicting secured party's  
19 knowledge of the security interest.

20 Sec. 58. NEW SECTION. 554.9338 PRIORITY OF SECURITY  
21 INTEREST OR AGRICULTURAL LIEN PERFECTED BY FILED FINANCING  
22 STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION.

23 If a security interest or agricultural lien is perfected by  
24 a filed financing statement providing information described in  
25 section 554.9516, subsection 2, paragraph "e", which is  
26 incorrect at the time the financing statement is filed:

27 1. the security interest or agricultural lien is  
28 subordinate to a conflicting perfected security interest in  
29 the collateral to the extent that the holder of the  
30 conflicting security interest gives value in reasonable  
31 reliance upon the incorrect information; and

32 2. a purchaser, other than a secured party, of the  
33 collateral takes free of the security interest or agricultural  
34 lien to the extent that, in reasonable reliance upon the  
35 incorrect information, the purchaser gives value and, in the

1 case of chattel paper, documents, goods, instruments, or a  
2 security certificate, receives delivery of the collateral.

3 Sec. 59. NEW SECTION. 554.9339 PRIORITY SUBJECT TO  
4 SUBORDINATION.

5 This Article does not preclude subordination by agreement  
6 by a person entitled to priority.

7 D. RIGHTS OF BANK

8 Sec. 60. NEW SECTION. 554.9340 EFFECTIVENESS OF RIGHT OF  
9 RECOUPMENT OR SETOFF AGAINST DEPOSIT ACCOUNT.

10 1. EXERCISE OF RECOUPMENT OR SETOFF. Except as otherwise  
11 provided in subsection 3, a bank with which a deposit account  
12 is maintained may exercise any right of recoupment or setoff  
13 against a secured party that holds a security interest in the  
14 deposit account.

15 2. RECOUPMENT OR SETOFF NOT AFFECTED BY SECURITY INTEREST.  
16 Except as otherwise provided in subsection 3, the application  
17 of this Article to a security interest in a deposit account  
18 does not affect a right of recoupment or setoff of the secured  
19 party as to a deposit account maintained with the secured  
20 party.

21 3. WHEN SETOFF INEFFECTIVE. The exercise by a bank of a  
22 setoff against a deposit account is ineffective against a  
23 secured party that holds a security interest in the deposit  
24 account which is perfected by control under section 554.9104,  
25 subsection 1, paragraph "c", if the setoff is based on a claim  
26 against the debtor.

27 Sec. 61. NEW SECTION. 554.9341 BANK'S RIGHTS AND DUTIES  
28 WITH RESPECT TO DEPOSIT ACCOUNT.

29 Except as otherwise provided in section 554.9340,  
30 subsection 3, and unless the bank otherwise agrees in an  
31 authenticated record, a bank's rights and duties with respect  
32 to a deposit account maintained with the bank are not  
33 terminated, suspended, or modified by:

34 1. the creation, attachment, or perfection of a security  
35 interest in the deposit account;

1 2. the bank's knowledge of the security interest; or  
2 3. the bank's receipt of instructions from the secured  
3 party.

4 Sec. 62. NEW SECTION. 554.9342 BANK'S RIGHT TO REFUSE TO  
5 ENTER INTO OR DISCLOSE EXISTENCE OF CONTROL AGREEMENT.

6 This Article does not require a bank to enter into an  
7 agreement of the kind described in section 554.9104,  
8 subsection 1, paragraph "b", even if its customer so requests  
9 or directs. A bank that has entered into such an agreement is  
10 not required to confirm the existence of the agreement to  
11 another person unless requested to do so by its customer.

12 PART 4

13 RIGHTS OF THIRD PARTIES

14 Sec. 63. NEW SECTION. 554.9401 ALIENABILITY OF DEBTOR'S  
15 RIGHTS.

16 1. OTHER LAW GOVERNS ALIENABILITY -- EXCEPTIONS. Except  
17 as otherwise provided in subsection 2 and sections 554.9406,  
18 554.9407, 554.9408, and 554.9409, whether a debtor's rights in  
19 collateral may be voluntarily or involuntarily transferred is  
20 governed by law other than this Article.

21 2. AGREEMENT DOES NOT PREVENT TRANSFER. An agreement  
22 between the debtor and secured party which prohibits a  
23 transfer of the debtor's rights in collateral or makes the  
24 transfer a default does not prevent the transfer from taking  
25 effect.

26 Sec. 64. NEW SECTION. 554.9402 SECURED PARTY NOT  
27 OBLIGATED ON CONTRACT OF DEBTOR OR IN TORT.

28 The existence of a security interest, agricultural lien, or  
29 authority given to a debtor to dispose of or use collateral,  
30 without more, does not subject a secured party to liability in  
31 contract or tort for the debtor's acts or omissions.

32 Sec. 65. NEW SECTION. 554.9403 AGREEMENT NOT TO ASSERT  
33 DEFENSES AGAINST ASSIGNEE.

34 1. VALUE. In this section, "value" has the meaning  
35 provided in section 554.3303, subsection 1.



1        2.    AGREEMENT NOT TO ASSERT CLAIM OR DEFENSE.    Except as  
2 otherwise provided in this section, an agreement between an  
3 account debtor and an assignor not to assert against an  
4 assignee any claim or defense that the account debtor may have  
5 against the assignor is enforceable by an assignee that takes  
6 an assignment:

- 7        a.    for value;
- 8        b.    in good faith;
- 9        c.    without notice of a claim of a property or possessory  
10 right to the property assigned; and
- 11       d.    without notice of a defense or claim in recoupment of  
12 the type that may be asserted against a person entitled to  
13 enforce a negotiable instrument under section 554.3305,  
14 subsection 1.

15       3.    WHEN SUBSECTION 2 NOT APPLICABLE.    Subsection 2 does  
16 not apply to defenses of a type that may be asserted against a  
17 holder in due course of a negotiable instrument under section  
18 554.3305, subsection 2.

19       4.    OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION.  
20 In a consumer transaction, if a record evidences the account  
21 debtor's obligation, law other than this Article requires that  
22 the record include a statement to the effect that the rights  
23 of an assignee are subject to claims or defenses that the  
24 account debtor could assert against the original obligee, and  
25 the record does not include such a statement:

- 26       a.    the record has the same effect as if the record  
27 included such a statement; and
- 28       b.    the account debtor may assert against an assignee those  
29 claims and defenses that would have been available if the  
30 record included such a statement.

31       5.    RULE FOR INDIVIDUAL UNDER OTHER LAW.    This section is  
32 subject to law other than this Article which establishes a  
33 different rule for an account debtor who is an individual and  
34 who incurred the obligation primarily for personal, family, or  
35 household purposes.

1 6. OTHER LAW NOT DISPLACED. Except as otherwise provided  
2 in subsection 4, this section does not displace law other than  
3 this Article which gives effect to an agreement by an account  
4 debtor not to assert a claim or defense against an assignee.

5 Sec. 66. NEW SECTION. 554.9404 RIGHTS ACQUIRED BY  
6 ASSIGNEE -- CLAIMS AND DEFENSES AGAINST ASSIGNEE.

7 1. ASSIGNEE'S RIGHTS SUBJECT TO TERMS, CLAIMS, AND  
8 DEFENSES -- EXCEPTIONS. Unless an account debtor has made an  
9 enforceable agreement not to assert defenses or claims, and  
10 subject to subsections 2 through 5, the rights of an assignee  
11 are subject to:

12 a. all terms of the agreement between the account debtor  
13 and assignor and any defense or claim in recoupment arising  
14 from the transaction that gave rise to the contract; and

15 b. any other defense or claim of the account debtor  
16 against the assignor which accrues before the account debtor  
17 receives a notification of the assignment authenticated by the  
18 assignor or the assignee.

19 2. ACCOUNT DEBTOR'S CLAIM REDUCES AMOUNT OWED TO ASSIGNEE.  
20 Subject to subsection 3 and except as otherwise provided in  
21 subsection 4, the claim of an account debtor against an  
22 assignor may be asserted against an assignee under subsection  
23 1 only to reduce the amount the account debtor owes.

24 3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
25 subject to law other than this Article which establishes a  
26 different rule for an account debtor who is an individual and  
27 who incurred the obligation primarily for personal, family, or  
28 household purposes.

29 4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION.  
30 In a consumer transaction, if a record evidences the account  
31 debtor's obligation, law other than this Article requires that  
32 the record include a statement to the effect that the account  
33 debtor's recovery against an assignee with respect to claims  
34 and defenses against the assignor may not exceed amounts paid  
35 by the account debtor under the record, and the record does

1 not include such a statement, the extent to which a claim of  
2 an account debtor against the assignor may be asserted against  
3 an assignee is determined as if the record included such a  
4 statement.

5 5. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.

6 This section does not apply to an assignment of a health-care-  
7 insurance receivable.

8 Sec. 67. NEW SECTION. 554.9405 MODIFICATION OF ASSIGNED  
9 CONTRACT.

10 1. EFFECT OF MODIFICATION ON ASSIGNEE. A modification of  
11 or substitution for an assigned contract is effective against  
12 an assignee if made in good faith. The assignee acquires  
13 corresponding rights under the modified or substituted  
14 contract. The assignment may provide that the modification or  
15 substitution is a breach of contract by the assignor. This  
16 subsection is subject to subsections 2 through 4.

17 2. APPLICABILITY OF SUBSECTION 1. Subsection 1 applies to  
18 the extent that:

19 a. the right to payment or a part thereof under an  
20 assigned contract has not been fully earned by performance; or

21 b. the right to payment or a part thereof has been fully  
22 earned by performance and the account debtor has not received  
23 notification of the assignment under section 554.9406,  
24 subsection 1.

25 3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
26 subject to law other than this Article which establishes a  
27 different rule for an account debtor who is an individual and  
28 who incurred the obligation primarily for personal, family, or  
29 household purposes.

30 4. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.

31 This section does not apply to an assignment of a health-care-  
32 insurance receivable.

33 Sec. 68. NEW SECTION. 554.9406 DISCHARGE OF ACCOUNT  
34 DEBTOR -- NOTIFICATION OF ASSIGNMENT -- IDENTIFICATION AND  
35 PROOF OF ASSIGNMENT -- RESTRICTIONS ON ASSIGNMENT OF ACCOUNTS,

1 CHATTEL PAPER, PAYMENT INTANGIBLES, AND PROMISSORY NOTES  
2 INEFFECTIVE.

3 1. DISCHARGE OF ACCOUNT DEBTOR -- EFFECT OF NOTIFICATION.

4 Subject to subsections 2 through 9, an account debtor on an  
5 account, chattel paper, or a payment intangible may discharge  
6 its obligation by paying the assignor until, but not after,  
7 the account debtor receives a notification, authenticated by  
8 the assignor or the assignee, that the amount due or to become  
9 due has been assigned and that payment is to be made to the  
10 assignee. After receipt of the notification, the account  
11 debtor may discharge its obligation by paying the assignee and  
12 may not discharge the obligation by paying the assignor.

13 2. WHEN NOTIFICATION INEFFECTIVE. Subject to subsection  
14 8, notification is ineffective under subsection 1:

- 15 a. if it does not reasonably identify the rights assigned;  
16 b. to the extent that an agreement between an account  
17 debtor and a seller of a payment intangible limits the account  
18 debtor's duty to pay a person other than the seller and the  
19 limitation is effective under law other than this Article; or  
20 c. at the option of an account debtor, if the notification  
21 notifies the account debtor to make less than the full amount  
22 of any installment or other periodic payment to the assignee,  
23 even if:

24 (1) only a portion of the account, chattel paper, or  
25 general intangible has been assigned to that assignee;

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

27 (3) the account debtor knows that the assignment to that  
28 assignee is limited.

29 3. PROOF OF ASSIGNMENT. Subject to subsection 8, if  
30 requested by the account debtor, an assignee shall seasonably  
31 furnish reasonable proof that the assignment has been made.  
32 Unless the assignee complies, the account debtor may discharge  
33 its obligation by paying the assignor, even if the account  
34 debtor has received a notification under subsection 1.

35 4. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.

1 Except as otherwise provided in subsection 5 and sections  
2 554.9407 and 554.13303, and subject to subsection 8, a term in  
3 an agreement between an account debtor and an assignor or in a  
4 promissory note is ineffective to the extent that it:

5 a. prohibits, restricts, or requires the consent of the  
6 account debtor or person obligated on the promissory note to  
7 the assignment or transfer of, or the creation, attachment,  
8 perfection, or enforcement of a security interest in, the  
9 account, chattel paper, payment intangible, or promissory  
10 note; or

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

17 5. INAPPLICABILITY OF SUBSECTION 4 TO CERTAIN SALES.

18 Subsection 4 does not apply to the sale of a payment  
19 intangible or promissory note.

20 6. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.

21 Except as otherwise provided in sections 554.9407 and  
22 554.13303 and subject to subsections 8 and 9, a rule of law,  
23 statute, or regulation that prohibits, restricts, or requires  
24 the consent of a government, governmental body or official, or  
25 account debtor to the assignment or transfer of, or creation  
26 of a security interest in, an account or chattel paper is  
27 ineffective to the extent that the rule of law, statute, or  
28 regulation:

29 a. prohibits, restricts, or requires the consent of the  
30 government, governmental body or official, or account debtor  
31 to the assignment or transfer of, or the creation, attachment,  
32 perfection, or enforcement of a security interest in the  
33 account or chattel paper; or

34 b. provides that the assignment or transfer or the  
35 creation, attachment, perfection, or enforcement of the

1 security interest may give rise to a default, breach, right of  
2 recoupment, claim, defense, termination, right of termination,  
3 or remedy under the account or chattel paper.

4 7. SUBSECTION 2, PARAGRAPH "C", NOT WAIVABLE. Subject to  
5 subsection 8, an account debtor may not waive or vary its  
6 option under subsection 2, paragraph "c".

7 8. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
8 subject to law other than this Article which establishes a  
9 different rule for an account debtor who is an individual and  
10 who incurred the obligation primarily for personal, family, or  
11 household purposes.

12 9. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.  
13 This section does not apply to an assignment of a health-care-  
14 insurance receivable.

15 10. SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW.  
16 This section prevails over any inconsistent provision of an  
17 existing or future statute, rule, or regulation of this state  
18 unless the provision is contained in a statute of this state,  
19 refers expressly to this section, and states that the  
20 provision prevails over this section.

21 Sec. 69. NEW SECTION. 554.9407 RESTRICTIONS ON CREATION  
22 OR ENFORCEMENT OF SECURITY INTEREST IN LEASEHOLD INTEREST OR  
23 IN LESSOR'S RESIDUAL INTEREST.

24 1. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.

25 Except as otherwise provided in subsection 2, a term in a  
26 lease agreement is ineffective to the extent that it:

27 a. prohibits, restricts, or requires the consent of a  
28 party to the lease to the assignment or transfer of, or the  
29 creation, attachment, perfection, or enforcement of a security  
30 interest in, an interest of a party under the lease contract  
31 or in the lessor's residual interest in the goods; or

32 b. provides that the assignment or transfer or the  
33 creation, attachment, perfection, or enforcement of the  
34 security interest may give rise to a default, breach, right of  
35 recoupment, claim, defense, termination, right of termination,

1 or remedy under the lease.

2 2. EFFECTIVENESS OF CERTAIN TERMS. Except as otherwise  
3 provided in section 554.13303, subsection 7, a term described  
4 in subsection 1, paragraph "b", is effective to the extent  
5 that there is:

6 a. a transfer by the lessee of the lessee's right of  
7 possession or use of the goods in violation of the term; or

8 b. a delegation of a material performance of either party  
9 to the lease contract in violation of the term.

10 3. SECURITY INTEREST NOT MATERIAL IMPAIRMENT. The  
11 creation, attachment, perfection, or enforcement of a security  
12 interest in the lessor's interest under the lease contract or  
13 the lessor's residual interest in the goods is not a transfer  
14 that materially impairs the lessee's prospect of obtaining  
15 return performance or materially changes the duty of or  
16 materially increases the burden or risk imposed on the lessee  
17 within the purview of section 554.13303, subsection 3, unless,  
18 and then only to the extent that, enforcement actually results  
19 in a delegation of material performance of the lessor.

20 Sec. 70. NEW SECTION. 554.9408 RESTRICTIONS ON  
21 ASSIGNMENT OF PROMISSORY NOTES, HEALTH-CARE-INSURANCE  
22 RECEIVABLES, AND CERTAIN GENERAL INTANGIBLES INEFFECTIVE.

23 1. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.

24 Except as otherwise provided in subsection 2, a term in a  
25 promissory note or in an agreement between an account debtor  
26 and a debtor which relates to a health-care-insurance  
27 receivable or a general intangible, including a contract,  
28 permit, license, or franchise, and which term prohibits,  
29 restricts, or requires the consent of the person obligated on  
30 the promissory note or the account debtor to, the assignment  
31 or transfer of, or creation, attachment, or perfection of a  
32 security interest in, the promissory note, health-care-  
33 insurance receivable, or general intangible, is ineffective to  
34 the extent that the term:

35 a. would impair the creation, attachment, or perfection of

1 a security interest; or

2 b. provides that the assignment or transfer or the  
3 creation, attachment, or perfection of the security interest  
4 may give rise to a default, breach, right of recoupment,  
5 claim, defense, termination, right of termination, or remedy  
6 under the promissory note, health-care-insurance receivable,  
7 or general intangible.

8 2. APPLICABILITY OF SUBSECTION 1 TO SALES OF CERTAIN  
9 RIGHTS TO PAYMENT. Subsection 1 applies to a security  
10 interest in a payment intangible or promissory note only if  
11 the security interest arises out of a sale of the payment  
12 intangible or promissory note.

13 3. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.  
14 A rule of law, statute, or regulation that prohibits,  
15 restricts, or requires the consent of a government,  
16 governmental body or official, person obligated on a  
17 promissory note, or account debtor to the assignment or  
18 transfer of, or creation of a security interest in, a  
19 promissory note, health-care-insurance receivable, or general  
20 intangible, including a contract, permit, license, or  
21 franchise between an account debtor and a debtor, is  
22 ineffective to the extent that the rule of law, statute, or  
23 regulation:

24 a. would impair the creation, attachment, or perfection of  
25 a security interest; or

26 b. provides that the assignment or transfer or the  
27 creation, attachment, or perfection of the security interest  
28 may give rise to a default, breach, right of recoupment,  
29 claim, defense, termination, right of termination, or remedy  
30 under the promissory note, health-care-insurance receivable,  
31 or general intangible.

32 4. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTIONS 1 AND  
33 3. To the extent that a term in a promissory note or in an  
34 agreement between an account debtor and a debtor which relates  
35 to a health-care-insurance receivable or general intangible or



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

6 a. is not enforceable against the person obligated on the  
7 promissory note or the account debtor;

8 b. does not impose a duty or obligation on the person  
9 obligated on the promissory note or the account debtor;

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

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

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

24 f. does not entitle the secured party to enforce the  
25 security interest in the promissory note, health-care-  
26 insurance receivable, or general intangible.

27 5. SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW. This  
28 section prevails over any inconsistent provision of an  
29 existing or future statute, rule, or regulation of this state  
30 unless the provision is contained in a statute of this state,  
31 refers expressly to this section, and states that the  
32 provision prevails over this section.

33 Sec. 71. NEW SECTION. 554.9409 RESTRICTIONS ON  
34 ASSIGNMENT OF LETTER-OF-CREDIT RIGHTS INEFFECTIVE.

35 1. TERM OR LAW RESTRICTING ASSIGNMENT GENERALLY

1 INEFFECTIVE. A term in a letter of credit or a rule of law,  
2 statute, regulation, custom, or practice applicable to the  
3 letter of credit which prohibits, restricts, or requires the  
4 consent of an applicant, issuer, or nominated person to a  
5 beneficiary's assignment of or creation of a security interest  
6 in a letter-of-credit right is ineffective to the extent that  
7 the term or rule of law, statute, regulation, custom, or  
8 practice:

9 a. would impair the creation, attachment, or perfection of  
10 a security interest in the letter-of-credit right; or

11 b. provides that the assignment or the creation,  
12 attachment, or perfection of the security interest may give  
13 rise to a default, breach, right of recoupment, claim,  
14 defense, termination, right of termination, or remedy under  
15 the letter-of-credit right.

16 2. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTION 1. To  
17 the extent that a term in a letter of credit is ineffective  
18 under subsection 1 but would be effective under law other than  
19 this Article or a custom or practice applicable to the letter  
20 of credit, to the transfer of a right to draw or otherwise  
21 demand performance under the letter of credit, or to the  
22 assignment of a right to proceeds of the letter of credit, the  
23 creation, attachment, or perfection of a security interest in  
24 the letter-of-credit right:

25 a. is not enforceable against the applicant, issuer,  
26 nominated person, or transferee beneficiary;

27 b. imposes no duties or obligations on the applicant,  
28 issuer, nominated person, or transferee beneficiary; and

29 c. does not require the applicant, issuer, nominated  
30 person, or transferee beneficiary to recognize the security  
31 interest, pay or render performance to the secured party, or  
32 accept payment or other performance from the secured party.

33 PART 5

34 FILING

35 A. FILING OFFICE -- CONTENTS AND

1 EFFECTIVENESS OF FINANCING STATEMENT

2 Sec. 72. NEW SECTION. 554.9501 FILING OFFICE.

3 1. FILING OFFICES. Except as otherwise provided in  
4 subsection 2, if the local law of this state governs  
5 perfection of a security interest or agricultural lien, the  
6 office in which to file a financing statement to perfect the  
7 security interest or agricultural lien is:

8 a. the office designated for the filing or recording of a  
9 record of a mortgage on the related real property, if:

10 (1) the collateral is as-extracted collateral or timber to  
11 be cut; or

12 (2) the financing statement is filed as a fixture filing  
13 and the collateral is goods that are or are to become  
14 fixtures; or

15 b. the office of the secretary of state or any office duly  
16 authorized by the office of secretary of state, in all other  
17 cases, including a case in which the collateral is goods that  
18 are or are to become fixtures and the financing statement is  
19 not filed as a fixture filing.

20 2. FILING OFFICE FOR TRANSMITTING UTILITIES. The office  
21 in which to file a financing statement to perfect a security  
22 interest in collateral, including fixtures, of a transmitting  
23 utility is the office of the secretary of state. The  
24 financing statement also constitutes a fixture filing as to  
25 the collateral indicated in the financing statement which is  
26 or is to become fixtures.

27 Sec. 73. NEW SECTION. 554.9502 CONTENTS OF FINANCING  
28 STATEMENT -- RECORD OF MORTGAGE AS FINANCING STATEMENT -- TIME  
29 OF FILING FINANCING STATEMENT.

30 1. SUFFICIENCY OF FINANCING STATEMENT. Subject to  
31 subsection 2, a financing statement is sufficient only if it:

32 a. provides the name of the debtor;

33 b. provides the name of the secured party or a  
34 representative of the secured party; and

35 c. indicates the collateral covered by the financing

1 statement.

2 2. REAL-PROPERTY-RELATED FINANCING STATEMENTS. Except as  
3 otherwise provided in section 554.9501, subsection 2, to be  
4 sufficient, a financing statement that covers as-extracted  
5 collateral or timber to be cut, or which is filed as a fixture  
6 filing and covers goods that are or are to become fixtures,  
7 must satisfy subsection 1 and also:

8 a. indicate that it covers this type of collateral;

9 b. indicate that it is to be filed for record in the real  
10 property records;

11 c. provide a description of the real property to which the  
12 collateral is related sufficient to give constructive notice  
13 of a mortgage under the law of this state if the description  
14 were contained in a record of the mortgage of the real  
15 property; and

16 d. if the debtor does not have an interest of record in  
17 the real property, provide the name of a record owner.

18 3. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of  
19 a mortgage is effective, from the date of recording, as a  
20 financing statement filed as a fixture filing or as a  
21 financing statement covering as-extracted collateral or timber  
22 to be cut only if:

23 a. the record indicates the goods or accounts that it  
24 covers;

25 b. the goods are or are to become fixtures related to the  
26 real property described in the record or the collateral is  
27 related to the real property described in the record and is  
28 as-extracted collateral or timber to be cut;

29 c. the record satisfies the requirements for a financing  
30 statement in this section other than an indication that it is  
31 to be filed in the real property records; and

32 d. the record is duly recorded.

33 4. FILING BEFORE SECURITY AGREEMENT OR ATTACHMENT. A  
34 financing statement may be filed before a security agreement  
35 is made or a security interest otherwise attaches.

1     Sec. 74. NEW SECTION. 554.9503 NAME OF DEBTOR AND  
2 SECURED PARTY.

3     1. SUFFICIENCY OF DEBTOR'S NAME. A financing statement  
4 sufficiently provides the name of the debtor:

5     a. if the debtor is a registered organization, only if the  
6 financing statement provides the name of the debtor indicated  
7 on the public record of the debtor's jurisdiction of  
8 organization which shows the debtor to have been organized;

9     b. if the debtor is a decedent's estate, only if the  
10 financing statement provides the name of the decedent and  
11 indicates that the debtor is an estate;

12     c. if the debtor is a trust or a trustee acting with  
13 respect to property held in trust, only if the financing  
14 statement:

15     (1) provides the name specified for the trust in its  
16 organic documents or, if no name is specified, provides the  
17 name of the settlor and additional information sufficient to  
18 distinguish the debtor from other trusts having one or more of  
19 the same settlors; and

20     (2) indicates, in the debtor's name or otherwise, that the  
21 debtor is a trust or is a trustee acting with respect to  
22 property held in trust; and

23     d. in other cases:

24     (1) if the debtor has a name, only if it provides the  
25 individual or organizational name of the debtor; and

26     (2) if the debtor does not have a name, only if it  
27 provides the names of the partners, members, associates, or  
28 other persons comprising the debtor.

29     2. ADDITIONAL DEBTOR-RELATED INFORMATION. A financing  
30 statement that provides the name of the debtor in accordance  
31 with subsection 1 is not rendered ineffective by the absence  
32 of:

33     a. a trade name or other name of the debtor; or

34     b. unless required under subsection 1, paragraph "d",  
35 subparagraph (2), names of partners, members, associates, or

1 other persons comprising the debtor.

2 3. DEBTOR'S TRADE NAME INSUFFICIENT. A financing  
3 statement that provides only the debtor's trade name does not  
4 sufficiently provide the name of the debtor.

5 4. REPRESENTATIVE CAPACITY. Failure to indicate the  
6 representative capacity of a secured party or representative  
7 of a secured party does not affect the sufficiency of a  
8 financing statement.

9 5. MULTIPLE DEBTORS AND SECURED PARTIES. A financing  
10 statement may provide the name of more than one debtor and the  
11 name of more than one secured party.

12 ~~3~~ Sec. 75. NEW SECTION. 554.9504 INDICATION OF COLLATERAL.

13 A financing statement sufficiently indicates the collateral  
14 that it covers if the financing statement provides:

15 1. a description of the collateral pursuant to section  
16 554.9108; or

17 2. an indication that the financing statement covers all  
18 assets or all personal property.

19 Sec. 76. NEW SECTION. 554.9505 FILING AND COMPLIANCE  
20 WITH OTHER STATUTES AND TREATIES FOR CONSIGNMENTS, LEASES,  
21 OTHER BAILMENTS, AND OTHER TRANSACTIONS.

22 1. USE OF TERMS OTHER THAN DEBTOR AND SECURED PARTY. A  
23 consignor, lessor, or other bailor of goods, a licensor, or a  
24 buyer of a payment intangible or promissory note may file a  
25 financing statement, or may comply with a statute or treaty  
26 described in section 554.9311, subsection 1, using the terms  
27 "consignor", "consignee", "lessor", "lessee", "bailor",  
28 "bailee", "licensor", "licensee", "owner", "registered owner",  
29 "buyer", "seller", or words of similar import, instead of the  
30 terms "secured party" and "debtor".

31 2. EFFECT OF FINANCING STATEMENT UNDER SUBSECTION 1. This  
32 part applies to the filing of a financing statement under  
33 subsection 1 and, as appropriate, to compliance that is  
34 equivalent to filing a financing statement under section  
35 554.9311, subsection 2, but the filing or compliance is not of

1 itself a factor in determining whether the collateral secures  
2 an obligation. If it is determined for another reason that  
3 the collateral secures an obligation, a security interest held  
4 by the consignor, lessor, bailor, licensor, owner, or buyer  
5 which attaches to the collateral is perfected by the filing or  
6 compliance.

7 Sec. 77. NEW SECTION. 554.9506 EFFECT OF ERRORS OR  
8 OMISSIONS.

9 1. MINOR ERRORS AND OMISSIONS. A financing statement  
10 substantially satisfying the requirements of this part is  
11 effective, even if it has minor errors or omissions, unless  
12 the errors or omissions make the financing statement seriously  
13 misleading.

14 2. FINANCING STATEMENT SERIOUSLY MISLEADING. Except as  
15 otherwise provided in subsection 3, a financing statement that  
16 fails sufficiently to provide the name of the debtor in  
17 accordance with section 554.9503, subsection 1, is seriously  
18 misleading.

19 3. FINANCING STATEMENT NOT SERIOUSLY MISLEADING. If a  
20 search of the records of the filing office under the debtor's  
21 correct name, using the filing office's standard search logic,  
22 if any, would disclose a financing statement that fails  
23 sufficiently to provide the name of the debtor in accordance  
24 with section 554.9503, subsection 1, the name provided does  
25 not make the financing statement seriously misleading.

26 4. DEBTOR'S CORRECT NAME. For purposes of section  
27 554.9508, subsection 2, the "debtor's correct name" in  
28 subsection 3 means the correct name of the new debtor.

29 Sec. 78. NEW SECTION. 554.9507 EFFECT OF CERTAIN EVENTS  
30 ON EFFECTIVENESS OF FINANCING STATEMENT.

31 1. DISPOSITION. A filed financing statement remains  
32 effective with respect to collateral that is sold, exchanged,  
33 leased, licensed, or otherwise disposed of and in which a  
34 security interest or agricultural lien continues, even if the  
35 secured party knows of or consents to the disposition.

1     2. INFORMATION BECOMING SERIOUSLY MISLEADING. Except as  
2 otherwise provided in subsection 3 and section 554.9508, a  
3 financing statement is not rendered ineffective if, after the  
4 financing statement is filed, the information provided in the  
5 financing statement becomes seriously misleading under section  
6 554.9506.

7     3. CHANGE IN DEBTOR'S NAME. If a debtor so changes its  
8 name that a filed financing statement becomes seriously  
9 misleading under section 554.9506:

10    a. the financing statement is effective to perfect a  
11 security interest in collateral acquired by the debtor before,  
12 or within four months after, the change; and

13    b. the financing statement is not effective to perfect a  
14 security interest in collateral acquired by the debtor more  
15 than four months after the change, unless an amendment to the  
16 financing statement which renders the financing statement not  
17 seriously misleading is filed within four months after the  
18 change.

19    Sec. 79. NEW SECTION. 554.9508 EFFECTIVENESS OF  
20 FINANCING STATEMENT IF NEW DEBTOR BECOMES BOUND BY SECURITY  
21 AGREEMENT.

22    1. FINANCING STATEMENT NAMING ORIGINAL DEBTOR. Except as  
23 otherwise provided in this section, a filed financing  
24 statement naming an original debtor is effective to perfect a  
25 security interest in collateral in which a new debtor has or  
26 acquires rights to the extent that the financing statement  
27 would have been effective had the original debtor acquired  
28 rights in the collateral.

29    2. FINANCING STATEMENT BECOMING SERIOUSLY MISLEADING. If  
30 the difference between the name of the original debtor and  
31 that of the new debtor causes a filed financing statement that  
32 is effective under subsection 1 to be seriously misleading  
33 under section 554.9506:

34    a. the financing statement is effective to perfect a  
35 security interest in collateral acquired by the new debtor



1 before, and within four months after, the new debtor becomes  
2 bound under section 554.9203, subsection 4; and

3 b. the financing statement is not effective to perfect a  
4 security interest in collateral acquired by the new debtor  
5 more than four months after the new debtor becomes bound under  
6 section 554.9203, subsection 4, unless an initial financing  
7 statement providing the name of the new debtor is filed before  
8 the expiration of that time.

9 3. WHEN SECTION NOT APPLICABLE. This section does not  
10 apply to collateral as to which a filed financing statement  
11 remains effective against the new debtor under section  
12 554.9507, subsection 1.

13 Sec. 80. NEW SECTION. 554.9509 PERSONS ENTITLED TO FILE  
14 A RECORD.

15 1. PERSON ENTITLED TO FILE RECORD. A person may file an  
16 initial financing statement, amendment that adds collateral  
17 covered by a financing statement, or amendment that adds a  
18 debtor to a financing statement only if:

19 a. the debtor authorizes the filing in an authenticated  
20 record; or

21 b. the person holds an agricultural lien that has become  
22 effective at the time of filing and the financing statement  
23 covers only collateral in which the person holds an  
24 agricultural lien.

25 2. SECURITY AGREEMENT AS AUTHORIZATION. By authenticating  
26 or becoming bound as debtor by a security agreement, a debtor  
27 or new debtor authorizes the filing of an initial financing  
28 statement, and an amendment, covering:

29 a. the collateral described in the security agreement; and

30 b. property that becomes collateral under section  
31 554.9315, subsection 1, paragraph "b", whether or not the  
32 security agreement expressly covers proceeds.

33 3. ACQUISITION OF COLLATERAL AS AUTHORIZATION. By  
34 acquiring collateral in which a security interest or  
35 agricultural lien continues under section 554.9315, subsection

1 1, paragraph "a", a debtor authorizes the filing of an initial  
2 financing statement, and an amendment, covering the collateral  
3 and property that becomes collateral under section 554.9315,  
4 subsection 1, paragraph "b".

5 4. PERSON ENTITLED TO FILE CERTAIN AMENDMENTS. A person  
6 may file an amendment other than an amendment that adds  
7 collateral covered by a financing statement or an amendment  
8 that adds a debtor to a financing statement only if:

- 9 a. the secured party of record authorizes the filing; or
- 10 b. the amendment is a termination statement for a  
11 financing statement as to which the secured party of record  
12 has failed to file or send a termination statement as required  
13 by section 554.9513, subsection 1 or 3, the debtor authorizes  
14 the filing, and the termination statement indicates that the  
15 debtor authorized it to be filed.

16 5. MULTIPLE SECURED PARTIES OF RECORD. If there is more  
17 than one secured party of record for a financing statement,  
18 each secured party of record may authorize the filing of an  
19 amendment under subsection 4.

20 Sec. 81. NEW SECTION. 554.9510 EFFECTIVENESS OF FILED  
21 RECORD.

22 1. FILED RECORD EFFECTIVE IF AUTHORIZED. A filed record  
23 is effective only to the extent that it was filed by a person  
24 that may file it under section 554.9509.

25 2. AUTHORIZATION BY ONE SECURED PARTY OF RECORD. A record  
26 authorized by one secured party of record does not affect the  
27 financing statement with respect to another secured party of  
28 record.

29 3. CONTINUATION STATEMENT NOT TIMELY FILED. A  
30 continuation statement that is not filed within the six-month  
31 period prescribed by section 554.9515, subsection 4, is  
32 ineffective.

33 Sec. 82. NEW SECTION. 554.9511 SECURED PARTY OF RECORD.

34 1. SECURED PARTY OF RECORD. A secured party of record  
35 with respect to a financing statement is a person whose name

1 is provided as the name of the secured party or a  
2 representative of the secured party in an initial financing  
3 statement that has been filed. If an initial financing  
4 statement is filed under section 554.9514, subsection 1, the  
5 assignee named in the initial financing statement is the  
6 secured party of record with respect to the financing  
7 statement.

8 2. AMENDMENT NAMING SECURED PARTY OF RECORD. If an  
9 amendment of a financing statement which provides the name of  
10 a person as a secured party or a representative of a secured  
11 party is filed, the person named in the amendment is a secured  
12 party of record. If an amendment is filed under section  
13 554.9514, subsection 2, the assignee named in the amendment is  
14 a secured party of record.

15 3. AMENDMENT DELETING SECURED PARTY OF RECORD. A person  
16 remains a secured party of record until the filing of an  
17 amendment of the financing statement which deletes the person.

18 Sec. 83. NEW SECTION. 554.9512 AMENDMENT OF FINANCING  
19 STATEMENT.

20 1. AMENDMENT OF INFORMATION IN FINANCING STATEMENT.  
21 Subject to section 554.9509, a person may add or delete  
22 collateral covered by, continue or terminate the effectiveness  
23 of, or, subject to subsection 5, otherwise amend the  
24 information provided in, a financing statement by filing an  
25 amendment that:

26 a. identifies, by its file number, the initial financing  
27 statement to which the amendment relates; and

28 b. if the amendment relates to an initial financing  
29 statement filed or recorded in a filing office described in  
30 section 554.9501, subsection 1, paragraph "a", provides the  
31 date and time that the initial financing statement was filed  
32 or recorded and the information specified in section 554.9502,  
33 subsection 2.

34 2. PERIOD OF EFFECTIVENESS NOT AFFECTED. Except as  
35 otherwise provided in section 554.9515, the filing of an

1 amendment does not extend the period of effectiveness of the  
2 financing statement.

3 3. EFFECTIVENESS OF AMENDMENT ADDING COLLATERAL. A  
4 financing statement that is amended by an amendment that adds  
5 collateral is effective as to the added collateral only from  
6 the date of the filing of the amendment.

7 4. EFFECTIVENESS OF AMENDMENT ADDING DEBTOR. A financing  
8 statement that is amended by an amendment that adds a debtor  
9 is effective as to the added debtor only from the date of the  
10 filing of the amendment.

11 5. CERTAIN AMENDMENTS INEFFECTIVE. An amendment is  
12 ineffective to the extent it:

13 a. purports to delete all debtors and fails to provide the  
14 name of a debtor to be covered by the financing statement; or

15 b. purports to delete all secured parties of record and  
16 fails to provide the name of a new secured party of record.

17 Sec. 84. NEW SECTION. 554.9513 TERMINATION STATEMENT.

18 1. CONSUMER GOODS. A secured party shall cause the  
19 secured party of record for a financing statement to file a  
20 termination statement for the financing statement if the  
21 financing statement covers consumer goods and:

22 a. there is no obligation secured by the collateral  
23 covered by the financing statement and no commitment to make  
24 an advance, incur an obligation, or otherwise give value; or

25 b. the debtor did not authorize the filing of the initial  
26 financing statement.

27 2. TIME FOR COMPLIANCE WITH SUBSECTION 1. To comply with  
28 subsection 1, a secured party shall cause the secured party of  
29 record to file the termination statement:

30 a. within one month after there is no obligation secured  
31 by the collateral covered by the financing statement and no  
32 commitment to make an advance, incur an obligation, or  
33 otherwise give value; or

34 b. if earlier, within twenty days after the secured party  
35 receives an authenticated demand from a debtor.

1 3. OTHER COLLATERAL. In cases not governed by subsection  
2 1, within twenty days after a secured party receives an  
3 authenticated demand from a debtor, the secured party shall  
4 cause the secured party of record for a financing statement to  
5 send to the debtor a termination statement for the financing  
6 statement or file the termination statement in the filing  
7 office if:

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

14 b. the financing statement covers accounts or chattel  
15 paper that has been sold but as to which the account debtor or  
16 other person obligated has discharged its obligation;

17 c. the financing statement covers goods that were the  
18 subject of a consignment to the debtor but are not in the  
19 debtor's possession; or

20 d. the debtor did not authorize the filing of the initial  
21 financing statement.

22 4. EFFECT OF FILING TERMINATION STATEMENT. Except as  
23 otherwise provided in section 554.9510, upon the filing of a  
24 termination statement with the filing office, the financing  
25 statement to which the termination statement relates ceases to  
26 be effective.

27 Sec. 85. NEW SECTION. 554.9514 ASSIGNMENT OF POWERS OF  
28 SECURED PARTY OF RECORD.

29 1. ASSIGNMENT REFLECTED ON INITIAL FINANCING STATEMENT.  
30 Except as otherwise provided in subsection 3, an initial  
31 financing statement may reflect an assignment of all of the  
32 secured party's power to authorize an amendment to the  
33 financing statement by providing the name and mailing address  
34 of the assignee as the name and address of the secured party.

35 2. ASSIGNMENT OF FILED FINANCING STATEMENT. Except as

1 otherwise provided in subsection 3, a secured party of record  
2 may assign of record all or part of its power to authorize an  
3 amendment to a financing statement by filing in the filing  
4 office an amendment of the financing statement which:

5 a. identifies, by its file number, the initial financing  
6 statement to which it relates;

7 b. provides the name of the assignor; and

8 c. provides the name and mailing address of the assignee.

9 3. ASSIGNMENT OF RECORD OF MORTGAGE. An assignment of  
10 record of a security interest in a fixture covered by a record  
11 of a mortgage which is effective as a financing statement  
12 filed as a fixture filing under section 554.9502, subsection  
13 3, may be made only by an assignment of record of the mortgage  
14 in the manner provided by law of this state other than this  
15 chapter.

16 Sec. 86. NEW SECTION. 554.9515 DURATION AND  
17 EFFECTIVENESS OF FINANCING STATEMENT -- EFFECT OF LAPSED  
18 FINANCING STATEMENT.

19 1. FIVE-YEAR EFFECTIVENESS. Except as otherwise provided  
20 in subsections 2, 5, 6, and 7, a filed financing statement is  
21 effective for a period of five years after the date of filing.

22 2. PUBLIC-FINANCE OR MANUFACTURED-HOME TRANSACTION.

23 Except as otherwise provided in subsections 5, 6, and 7, an  
24 initial financing statement filed in connection with a public-  
25 finance transaction or manufactured-home transaction is  
26 effective for a period of thirty years after the date of  
27 filing if it indicates that it is filed in connection with a  
28 public-finance transaction or manufactured-home transaction.

29 3. LAPSE AND CONTINUATION OF FINANCING STATEMENT. The  
30 effectiveness of a filed financing statement lapses on the  
31 expiration of the period of its effectiveness unless before  
32 the lapse a continuation statement is filed pursuant to  
33 subsection 4. Upon lapse, a financing statement ceases to be  
34 effective and any security interest or agricultural lien that  
35 was perfected by the financing statement becomes unperfected,

1 unless the security interest is perfected otherwise. If the  
2 security interest or agricultural lien becomes unperfected  
3 upon lapse, it is deemed never to have been perfected as  
4 against a purchaser of the collateral for value.

5 4. WHEN CONTINUATION STATEMENT MAY BE FILED. A  
6 continuation statement may be filed only within six months  
7 before the expiration of the five-year period specified in  
8 subsection 1 or the thirty-year period specified in subsection  
9 2, whichever is applicable.

10 5. EFFECT OF FILING CONTINUATION STATEMENT. Except as  
11 otherwise provided in section 554.9510, upon timely filing of  
12 a continuation statement, the effectiveness of the initial  
13 financing statement continues for a period of five years  
14 commencing on the day on which the financing statement would  
15 have become ineffective in the absence of the filing. Upon  
16 the expiration of the five-year period, the financing  
17 statement lapses in the same manner as provided in subsection  
18 3, unless, before the lapse, another continuation statement is  
19 filed pursuant to subsection 4. Succeeding continuation  
20 statements may be filed in the same manner to continue the  
21 effectiveness of the initial financing statement.

22 6. TRANSMITTING UTILITY FINANCING STATEMENT. If a debtor  
23 is a transmitting utility and a filed financing statement so  
24 indicates, the financing statement is effective until a  
25 termination statement is filed.

26 7. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of  
27 a mortgage that is effective as a financing statement filed as  
28 a fixture filing under section 554.9502, subsection 3, remains  
29 effective as a financing statement filed as a fixture filing  
30 until the mortgage is released or satisfied of record or its  
31 effectiveness otherwise terminates as to the real property.

32 Sec. 87. NEW SECTION. 554.9516 WHAT CONSTITUTES FILING  
33 -- EFFECTIVENESS OF FILING.

34 1. WHAT CONSTITUTES FILING. Except as otherwise provided  
35 in subsection 2, communication of a record to a filing office

1 and tender of the filing fee or acceptance of the record by  
2 the filing office constitutes filing.

3 2. REFUSAL TO ACCEPT RECORD -- FILING DOES NOT OCCUR.

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

6 a. the record is not communicated by a method or medium of  
7 communication authorized by the filing office;

8 b. an amount equal to or greater than the applicable  
9 filing fee is not tendered;

10 c. the filing office is unable to index the record  
11 because:

12 (1) in the case of an initial financing statement, the  
13 record does not provide a name for the debtor;

14 (2) in the case of an amendment or correction statement,  
15 the record:

16 (a) does not identify the initial financing statement as  
17 required by section 554.9512 or 554.9518, as applicable; or

18 (b) identifies an initial financing statement whose  
19 effectiveness has lapsed under section 554.9515;

20 (3) in the case of an initial financing statement that  
21 provides the name of a debtor identified as an individual or  
22 an amendment that provides a name of a debtor identified as an  
23 individual which was not previously provided in the financing  
24 statement to which the record relates, the record does not  
25 identify the debtor's last name; or

26 (4) in the case of a record filed or recorded in the  
27 filing office described in section 554.9501, subsection 1,  
28 paragraph "a", the record does not provide a sufficient  
29 description of the real property to which it relates;

30 d. in the case of an initial financing statement or an  
31 amendment that adds a secured party of record, the record does  
32 not provide a name and mailing address for the secured party  
33 of record;

34 e. in the case of an initial financing statement or an  
35 amendment that provides a name of a debtor which was not



1 previously provided in the financing statement to which the  
2 amendment relates, the record does not:

3 (1) provide a mailing address for the debtor;

4 (2) indicate whether the debtor is an individual or an  
5 organization; or

6 (3) if the financing statement indicates that the debtor  
7 is an organization, provide:

8 (a) a type of organization for the debtor;

9 (b) a jurisdiction of organization for the debtor; or

10 (c) an organizational identification number for the debtor  
11 or indicate that the debtor has none;

12 f. in the case of an assignment reflected in an initial  
13 financing statement under section 554.9514, subsection 1, or  
14 an amendment filed under section 554.9514, subsection 2, the  
15 record does not provide a name and mailing address for the  
16 assignee; or

17 g. in the case of a continuation statement, the record is  
18 not filed within the six-month period prescribed by section  
19 554.9515, subsection 4.

20 3. RULES APPLICABLE TO SUBSECTION 2. For purposes of  
21 subsection 2:

22 a. a record does not provide information if the filing  
23 office is unable to read or decipher the information; and

24 b. a record that does not indicate that it is an amendment  
25 or identify an initial financing statement to which it  
26 relates, as required by section 554.9512, 554.9514, or  
27 554.9518, is an initial financing statement.

28 4. REFUSAL TO ACCEPT RECORD -- RECORD EFFECTIVE AS FILED  
29 RECORD. A record that is communicated to the filing office  
30 with tender of the filing fee, but which the filing office  
31 refuses to accept for a reason other than one set forth in  
32 subsection 2, is effective as a filed record except as against  
33 a purchaser of the collateral which gives value in reasonable  
34 reliance upon the absence of the record from the files.

35 Sec. 88. NEW SECTION. 554.9517 EFFECT OF INDEXING

1 ERRORS.

2 The failure of the filing office to index a record  
3 correctly does not affect the effectiveness of the filed  
4 record.

5 Sec. 89. NEW SECTION. 554.9518 CLAIM CONCERNING  
6 INACCURATE OR WRONGFULLY FILED RECORD.

7 1. CORRECTION STATEMENT. A person may file in the filing  
8 office a correction statement with respect to a record indexed  
9 there under the person's name if the person believes that the  
10 record is inaccurate or was wrongfully filed.

11 2. SUFFICIENCY OF CORRECTION STATEMENT. A correction  
12 statement must:

13 a. identify the record to which it relates by:

14 (1) the file number assigned to the initial financing  
15 statement to which the record relates; and

16 (2) if the correction statement relates to a record filed  
17 or recorded in a filing office described in section 554.9501,  
18 subsection 1, paragraph "a", the date and time that the  
19 initial financing statement was filed or recorded and the  
20 information specified in section 554.9502, subsection 2;

21 b. indicate that it is a correction statement; and

22 c. provide the basis for the person's belief that the  
23 record is inaccurate and indicate the manner in which the  
24 person believes the record should be amended to cure any  
25 inaccuracy or provide the basis for the person's belief that  
26 the record was wrongfully filed.

27 3. RECORD NOT AFFECTED BY CORRECTION STATEMENT. The  
28 filing of a correction statement does not affect the  
29 effectiveness of an initial financing statement or other filed  
30 record.

31 B. DUTIES AND OPERATION OF FILING OFFICE

32 Sec. 90. NEW SECTION. 554.9519 NUMBERING, MAINTAINING,  
33 AND INDEXING RECORDS -- COMMUNICATING INFORMATION PROVIDED IN  
34 RECORDS.

35 1. FILING OFFICE DUTIES. For each record filed in a

1 filing office, the filing office shall:

- 2 a. assign a unique number to the filed record;
- 3 b. create a record that bears the number assigned to the  
4 filed record and the date and time of filing;
- 5 c. maintain the filed record for public inspection; and
- 6 d. index the filed record in accordance with subsections  
7 3, 4, and 5.

8 2. FILE NUMBER. A file number assigned after January 1,  
9 2002, must include a digit that:

- 10 a. is mathematically derived from or related to the other  
11 digits of the file number; and
- 12 b. aids the filing office in determining whether a number  
13 communicated as the file number includes a single-digit or  
14 transpositional error.

15 3. INDEXING -- GENERAL. Except as otherwise provided in  
16 subsections 4 and 5, the filing office shall:

- 17 a. index an initial financing statement according to the  
18 name of the debtor and index all filed records relating to the  
19 initial financing statement in a manner that associates with  
20 one another an initial financing statement and all filed  
21 records relating to the initial financing statement; and
- 22 b. index a record that provides a name of a debtor which  
23 was not previously provided in the financing statement to  
24 which the record relates also according to the name that was  
25 not previously provided.

26 4. INDEXING -- REAL-PROPERTY-RELATED FINANCING STATEMENT.

27 If a financing statement is filed as a fixture filing or  
28 covers as-extracted collateral or timber to be cut, it must be  
29 filed for record and the filing office shall index it:

- 30 a. under the names of the debtor and of each owner of  
31 record shown on the financing statement as if they were the  
32 mortgagors under a mortgage of the real property described;  
33 and
- 34 b. to the extent that the law of this state provides for  
35 indexing of records of mortgages under the name of the

1 mortgagee, under the name of the secured party as if the  
2 secured party were the mortgagee thereunder, or, if indexing  
3 is by description, as if the financing statement were a record  
4 of a mortgage of the real property described.

5 5. INDEXING -- REAL-PROPERTY-RELATED ASSIGNMENT. If a  
6 financing statement is filed as a fixture filing or covers as-  
7 extracted collateral or timber to be cut, the filing office  
8 shall index an assignment filed under section 554.9514,  
9 subsection 1, or an amendment filed under section 554.9514,  
10 subsection 2:

- 11 a. under the name of the assignor as grantor; and
- 12 b. to the extent that the law of this state provides for  
13 indexing a record of the assignment of a mortgage under the  
14 name of the assignee, under the name of the assignee.

15 6. RETRIEVAL AND ASSOCIATION CAPABILITY. The filing  
16 office shall maintain a capability:

- 17 a. to retrieve a record by the name of the debtor and:
  - 18 (1) if the filing office is described in section 554.9501,  
19 subsection 1, paragraph "a", by the file number assigned to  
20 the initial financing statement to which the record relates  
21 and the date and time that the record was filed or recorded;  
22 or
  - 23 (2) if the filing office is described in section 554.9501,  
24 subsection 1, paragraph "b", by the file number assigned to  
25 the initial financing statement to which the record relates;  
26 and
- 27 b. to associate and retrieve with one another an initial  
28 financing statement and each filed record relating to the  
29 initial financing statement.

30 7. REMOVAL OF DEBTOR'S NAME. The filing office may not  
31 remove a debtor's name from the index until one year after the  
32 effectiveness of a financing statement naming the debtor  
33 lapses under section 554.9515 with respect to all secured  
34 parties of record.

35 8. TIMELINESS OF FILING OFFICE PERFORMANCE. The filing

1 office shall perform the acts required by subsections 1  
2 through 5 at the time and in the manner prescribed by filing-  
3 office rule, but not later than two business days after the  
4 filing office receives the record in question.

5 Sec. 91. NEW SECTION. 554.9520 ACCEPTANCE AND REFUSAL TO  
6 ACCEPT RECORD.

7 1. MANDATORY REFUSAL TO ACCEPT RECORD. A filing office  
8 shall refuse to accept a record for filing for a reason set  
9 forth in section 554.9516, subsection 2, and may refuse to  
10 accept a record for filing only for a reason set forth in  
11 section 554.9516, subsection 2.

12 2. COMMUNICATION CONCERNING REFUSAL. If a filing office  
13 refuses to accept a record for filing, it shall communicate to  
14 the person that presented the record the fact of and reason  
15 for the refusal and the date and time the record would have  
16 been filed had the filing office accepted it. The  
17 communication must be made at the time and in the manner  
18 prescribed by filing-office rule but in no event more than two  
19 business days after the filing office receives the record.

20 3. WHEN FILED FINANCING STATEMENT EFFECTIVE. A filed  
21 financing statement satisfying section 554.9502, subsections 1  
22 and 2, is effective, even if the filing office is required to  
23 refuse to accept it for filing under subsection 1. However,  
24 section 554.9338 applies to a filed financing statement  
25 providing information described in section 554.9516,  
26 subsection 2, paragraph "e", which is incorrect at the time  
27 the financing statement is filed.

28 4. SEPARATE APPLICATION TO MULTIPLE DEBTORS. If a record  
29 communicated to a filing office provides information that  
30 relates to more than one debtor, this part applies as to each  
31 debtor separately.

32 Sec. 92. NEW SECTION. 554.9521 UNIFORM FORM OF WRITTEN  
33 FINANCING STATEMENT AND AMENDMENT.

34 1. INITIAL FINANCING STATEMENT FORM. A filing office that  
35 accepts written records may not refuse to accept a written

1 initial financing statement in a form and format approved by  
2 the secretary of state by rule adopted pursuant to chapter 17A  
3 except for a reason set forth in section 554.9516, subsection  
4 2. The forms shall be consistent with forms for this section  
5 recommended by the national conference of commissioners on  
6 uniform state laws and the American law institute.

7 2. AMENDMENT FORM. A filing office that accepts written  
8 records may not refuse to accept a written record in a form  
9 and format approved by the secretary of state by rule adopted  
10 pursuant to chapter 17A except for a reason set forth in  
11 section 554.9516, subsection 2. The forms shall be consistent  
12 with forms for this section recommended by the national  
13 conference of commissioners on uniform state laws and the  
14 American law institute.

15 Sec. 93. NEW SECTION. 554.9522 MAINTENANCE AND  
16 DESTRUCTION OF RECORDS.

17 1. POST-LAPSE MAINTENANCE AND RETRIEVAL OF INFORMATION.  
18 The filing office shall maintain a record of the information  
19 provided in a filed financing statement for at least one year  
20 after the effectiveness of the financing statement has lapsed  
21 under section 554.9515 with respect to all secured parties of  
22 record. The record must be retrievable by using the name of  
23 the debtor and:

24 a. if the record was filed or recorded in the filing  
25 office described in section 554.9501, subsection 1, paragraph  
26 "a", by using the file number assigned to the initial  
27 financing statement to which the record relates and the date  
28 and time that the record was filed or recorded; or

29 b. if the record was filed in the filing office described  
30 in section 554.9501, subsection 1, paragraph "b", by using the  
31 file number assigned to the initial financing statement to  
32 which the record relates.

33 2. DESTRUCTION OF WRITTEN RECORDS. Except to the extent  
34 that a statute governing disposition of public records  
35 provides otherwise, the filing office immediately may destroy

1 any written record evidencing a financing statement. However,  
2 if the filing office destroys a written record, it shall  
3 maintain another record of the financing statement which  
4 complies with subsection 1.

5 Sec. 94. NEW SECTION. 554.9523 INFORMATION FROM FILING  
6 OFFICE -- SALE OR LICENSE OF RECORDS.

7 1. ACKNOWLEDGMENT OF FILING WRITTEN RECORD. If a person  
8 that files a written record requests an acknowledgment of the  
9 filing, the filing office shall send to the person an image of  
10 the record showing the number assigned to the record pursuant  
11 to section 554.9519, subsection 1, paragraph "b", and the date  
12 and time of the filing of the record. However, if the person  
13 furnishes a copy of the record to the filing office, the  
14 filing office may instead:

15 a. note upon the copy the number assigned to the record  
16 pursuant to section 554.9519, subsection 1, paragraph "a", and  
17 the date and time of the filing of the record; and

18 b. send the copy to the person.

19 2. ACKNOWLEDGMENT OF FILING OTHER RECORD. If a person  
20 files a record other than a written record, the filing office  
21 shall communicate to the person an acknowledgment that  
22 provides:

23 a. the information in the record;

24 b. the number assigned to the record pursuant to section  
25 554.9519, subsection 1, paragraph "a"; and

26 c. the date and time of the filing of the record.

27 3. COMMUNICATION OF REQUESTED INFORMATION. The filing  
28 office shall communicate or otherwise make available in a  
29 record the following information to any person that requests  
30 it:

31 a. whether there is on file on a date and time specified  
32 by the filing office, but not a date earlier than three  
33 business days before the filing office receives the request,  
34 any financing statement that:

35 (1) designates a particular debtor or, if the request so

1 states, designates a particular debtor at the address  
2 specified in the request;

3 (2) has not lapsed under section 554.9515 with respect to  
4 all secured parties of record; and

5 (3) if the request so states, has lapsed under section  
6 554.9515 and a record of which is maintained by the filing  
7 office under section 554.9522, subsection 1;

8 b. the date and time of filing of each financing  
9 statement; and

10 c. the information provided in each financing statement.

11 4. MEDIUM FOR COMMUNICATING INFORMATION. In complying  
12 with its duty under subsection 3, the filing office may  
13 communicate information in any medium. However, if requested,  
14 the filing office shall communicate information by issuing a  
15 record that can be admitted into evidence in the courts of  
16 this state without extrinsic evidence of its authenticity.

17 5. TIMELINESS OF FILING OFFICE PERFORMANCE. The filing  
18 office shall perform the acts required by subsections 1  
19 through 4 at the time and in the manner prescribed by filing-  
20 office rule, but not later than two business days after the  
21 filing office receives the request.

22 6. PUBLIC AVAILABILITY OF RECORDS. At least weekly, the  
23 filing office shall offer to sell or license to the public on  
24 a nonexclusive basis, in bulk, copies of all records filed in  
25 it under this part, in every medium from time to time  
26 available to the filing office, as provided in chapter 22.

27 Sec. 95. NEW SECTION. 554.9524 DELAY BY FILING OFFICE.

28 Delay by the filing office beyond a time limit prescribed  
29 by this part is excused if:

30 1. the delay is caused by interruption of communication or  
31 computer facilities, war, emergency conditions, failure of  
32 equipment, or other circumstances beyond control of the filing  
33 office; and

34 2. the filing office exercises reasonable diligence under  
35 the circumstances.



1     Sec. 96. NEW SECTION. 554.9525 FEES.

2     1. INITIAL FINANCING STATEMENT OR OTHER RECORD -- GENERAL  
3 RULE. Except as otherwise provided in subsection 5, fees for  
4 services rendered by the filing office under this part must be  
5 set by rules adopted by the secretary of state's office for  
6 services for that office or by ordinance adopted by the county  
7 board of supervisors for the recorders office for that county.  
8 The rule or ordinance must set the fees for filing and  
9 indexing a record under this part on the following basis:

10    a. if a record presented for filing is communicated to the  
11 filing office in writing and consists of more than two pages,  
12 the fee for filing and indexing the record must be at least  
13 twice the amount of the fee for a record communicated in  
14 writing that consists of one or two pages; and

15    b. if the record is communicated by another medium  
16 authorized by the secretary of state's office or the county  
17 board of supervisors in the county where its filing office is  
18 located, the record must be no more than half the amount of  
19 the fee for a record communicated in writing that consists of  
20 one or two pages.

21    3. NUMBER OF NAMES. The number of names required to be  
22 indexed does not affect the amount of the fee in subsections 1  
23 and 2.

24    4. RESPONSE TO INFORMATION REQUEST. A rule or ordinance  
25 adopted pursuant to subsection 1 must set the fee for  
26 responding to a request for information from the filing  
27 office, including for communicating whether there is on file  
28 any financing statement naming a particular debtor. A fee for  
29 responding to a request communicated in writing must be not  
30 less than twice the amount of the fee for responding to a  
31 request communicated by another medium authorized by the  
32 office of secretary of state or the board of supervisors for  
33 the filing office where its filing office is located.

34    5. RECORD OF MORTGAGE. This section does not require a  
35 fee with respect to a record of a mortgage which is effective

1 as a financing statement filed as a fixture filing or as a  
2 financing statement covering as-extracted collateral or timber  
3 to be cut under section 554.9502, subsection 3. However, the  
4 recording and satisfaction fees that otherwise would be  
5 applicable to the record of the mortgage apply.

6 Sec. 97. NEW SECTION. 554.9526 FILING-OFFICE RULES.

7 1. ADOPTION OF FILING-OFFICE RULES. The office of  
8 secretary of state shall adopt and publish rules to implement  
9 this Article. The filing-office rules must be:

10 a. consistent with this Article; and

11 b. adopted and published in accordance with chapter 17A.

12 2. HARMONIZATION OF RULES. To keep the filing-office  
13 rules and practices of the filing office in harmony with the  
14 rules and practices of filing offices in other jurisdictions  
15 that enact substantially this part, and to keep the technology  
16 used by the filing office compatible with the technology used  
17 by filing offices in other jurisdictions that enact  
18 substantially this part, the office of secretary of state, so  
19 far as is consistent with the purposes, policies, and  
20 provisions of this Article, in adopting, amending, and  
21 repealing filing-office rules, shall:

22 a. consult with filing offices in other jurisdictions that  
23 enact substantially this part; and

24 b. consult the most recent version of the Model Rules  
25 promulgated by the International Association of Corporate  
26 Administrators or any successor organization; and

27 c. take into consideration the rules and practices of, and  
28 the technology used by, filing offices in other jurisdictions  
29 that enact substantially this part.

30 Sec. 98. NEW SECTION. 554.9527 DUTY TO REPORT.

31 The office of secretary of state shall report annually on  
32 or before December 31 to the governor on the operation of the  
33 filing office. The report must contain a statement of the  
34 extent to which:

35 1. the filing-office rules are not in harmony with the

1 rules of filing offices in other jurisdictions that enact  
2 substantially this part and the reasons for these variations;  
3 and

4 2. the filing-office rules are not in harmony with the  
5 most recent version of the Model Rules promulgated by the  
6 International Association of Corporate Administrators, or any  
7 successor organization, and the reasons for these variations.

8

## PART 6

9

## DEFAULT

10

## A. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

11

Sec. 99. NEW SECTION. 554.9601 RIGHTS AFTER DEFAULT --

12

JUDICIAL ENFORCEMENT -- CONSIGNOR OR BUYER OF ACCOUNTS,

13

CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES.

14

1. RIGHTS OF SECURED PARTY AFTER DEFAULT. After default,

15

a secured party has the rights provided in this part and,

16

except as otherwise provided in section 554.9602, those

17

provided by agreement of the parties. A secured party:

18

a. may reduce a claim to judgment, foreclose, or otherwise

19

enforce the claim, security interest, or agricultural lien by

20

any available judicial procedure; and

21

b. if the collateral is documents, may proceed either as

22

to the documents or as to the goods they cover.

23

2. RIGHTS AND DUTIES OF SECURED PARTY IN POSSESSION OR

24

CONTROL. A secured party in possession of collateral or

25

control of collateral under section 554.9104, 554.9105,

26

554.9106, or 554.9107 has the rights and duties provided in

27

section 554.9207.

28

3. RIGHTS CUMULATIVE -- SIMULTANEOUS EXERCISE. The rights

29

under subsections 1 and 2 are cumulative and may be exercised

30

simultaneously.

31

4. RIGHTS OF DEBTOR AND OBLIGOR. Except as otherwise

32

provided in subsection 7 and section 554.9605, after default,

33

a debtor and an obligor have the rights provided in this part

34

and by agreement of the parties.

35

5. LIEN OF LEVY AFTER JUDGMENT. If a secured party has

1 reduced its claim to judgment, the lien of any levy that may  
2 be made upon the collateral by virtue of an execution based  
3 upon the judgment relates back to the earliest of:

- 4 a. the date of perfection of the security interest or  
5 agricultural lien in the collateral;
- 6 b. the date of filing a financing statement covering the  
7 collateral; or
- 8 c. any date specified in a statute under which the  
9 agricultural lien was created.

10 6. EXECUTION SALE. A sale pursuant to an execution is a  
11 foreclosure of the security interest or agricultural lien by  
12 judicial procedure within the meaning of this section. A  
13 secured party may purchase at the sale and thereafter hold the  
14 collateral free of any other requirements of this Article.

15 7. CONSIGNOR OR BUYER OF CERTAIN RIGHTS TO PAYMENT.  
16 Except as otherwise provided in section 554.9607, subsection  
17 3, this part imposes no duties upon a secured party that is a  
18 consignor or is a buyer of accounts, chattel paper, payment  
19 intangibles, or promissory notes.

20 Sec. 100. NEW SECTION. 554.9602 WAIVER AND VARIANCE OF  
21 RIGHTS AND DUTIES.

22 Except as otherwise provided in section 554.9624, to the  
23 extent that they give rights to a debtor or obligor and impose  
24 duties on a secured party, the debtor or obligor may not waive  
25 or vary the rules stated in the following listed sections:

26 1. section 554.9207, subsection 2, paragraph "d",  
27 subparagraph (3), which deals with use and operation of the  
28 collateral by the secured party;

29 2. section 554.9210, which deals with requests for an  
30 accounting and requests concerning a list of collateral and  
31 statement of account;

32 3. section 554.9607, subsection 3, which deals with  
33 collection and enforcement of collateral;

34 4. section 554.9608, subsection 1, and section 554.9615,  
35 subsection 3, to the extent that they deal with application or

1 payment of noncash proceeds of collection, enforcement, or  
2 disposition;

3 5. section 554.9608, subsection 1, and section 554.9615,  
4 subsection 4, to the extent that they require accounting for  
5 or payment of surplus proceeds of collateral;

6 6. section 554.9609 to the extent that it imposes upon a  
7 secured party that takes possession of collateral without  
8 judicial process the duty to do so without breach of the  
9 peace;

10 7. section 554.9610, subsection 2, and sections 554.9611,  
11 554.9613, and 554.9614, which deal with disposition of  
12 collateral;

13 8. section 554.9615, subsection 6, which deals with  
14 calculation of a deficiency or surplus when a disposition is  
15 made to the secured party, a person related to the secured  
16 party, or a secondary obligor;

17 9. section 554.9616, which deals with explanation of the  
18 calculation of a surplus or deficiency;

19 10. sections 554.9620, 554.9621, and 554.9622, which deal  
20 with acceptance of collateral in satisfaction of obligation;

21 11. section 554.9623, which deals with redemption of  
22 collateral;

23 12. section 554.9624, which deals with permissible  
24 waivers; and

25 13. sections 554.9625 and 554.9626, which deal with the  
26 secured party's liability for failure to comply with this  
27 Article.

28 Sec. 101. NEW SECTION. 554.9603 AGREEMENT ON STANDARDS  
29 CONCERNING RIGHTS AND DUTIES.

30 1. AGREED STANDARDS. The parties may determine by  
31 agreement the standards measuring the fulfillment of the  
32 rights of a debtor or obligor and the duties of a secured  
33 party under a rule stated in section 554.9602 if the standards  
34 are not manifestly unreasonable.

35 2. AGREED STANDARDS INAPPLICABLE TO BREACH OF PEACE.

1 Subsection 1 does not apply to the duty under section 554.9609  
2 to refrain from breaching the peace.

3 Sec. 102. NEW SECTION. 554.9604 PROCEDURE IF SECURITY  
4 AGREEMENT COVERS REAL PROPERTY OR FIXTURES.

5 1. ENFORCEMENT -- PERSONAL AND REAL PROPERTY. If a  
6 security agreement covers both personal and real property, a  
7 secured party may proceed:

- 8 a. under this part as to the personal property without  
9 prejudicing any rights with respect to the real property; or
- 10 b. as to both the personal property and the real property  
11 in accordance with the rights with respect to the real  
12 property, in which case the other provisions of this part do  
13 not apply.

14 2. ENFORCEMENT -- FIXTURES. Subject to subsection 3, if a  
15 security agreement covers goods that are or become fixtures, a  
16 secured party may proceed:

- 17 a. under this part; or
- 18 b. in accordance with the rights with respect to real  
19 property, in which case the other provisions of this part do  
20 not apply.

21 3. REMOVAL OF FIXTURES. Subject to the other provisions  
22 of this part, if a secured party holding a security interest  
23 in fixtures has priority over all owners and encumbrancers of  
24 the real property, the secured party, after default, may  
25 remove the collateral from the real property.

26 4. INJURY CAUSED BY REMOVAL. A secured party that removes  
27 collateral shall promptly reimburse any encumbrancer or owner  
28 of the real property, other than the debtor, for the cost of  
29 repair of any physical injury caused by the removal. The  
30 secured party need not reimburse the encumbrancer or owner for  
31 any diminution in value of the real property caused by the  
32 absence of the goods removed or by any necessity of replacing  
33 them. A person entitled to reimbursement may refuse  
34 permission to remove until the secured party gives adequate  
35 assurance for the performance of the obligation to reimburse.

1     Sec. 103. NEW SECTION. 554.9605 UNKNOWN DEBTOR OR  
2 SECONDARY OBLIGOR.

3     A secured party does not owe a duty based on its status as  
4 secured party:

5     1. to a person that is a debtor or obligor, unless the  
6 secured party knows:

7       a. that the person is a debtor or obligor;

8       b. the identity of the person; and

9       c. how to communicate with the person; or

10    2. to a secured party or lienholder that has filed a  
11 financing statement against a person, unless the secured party  
12 knows:

13       a. that the person is a debtor; and

14       b. the identity of the person.

15    Sec. 104. NEW SECTION. 554.9606 TIME OF DEFAULT FOR  
16 AGRICULTURAL LIEN.

17    For purposes of this part, a default occurs in connection  
18 with an agricultural lien at the time the secured party  
19 becomes entitled to enforce the lien in accordance with the  
20 statute under which it was created.

21    Sec. 105. NEW SECTION. 554.9607 COLLECTION AND  
22 ENFORCEMENT BY SECURED PARTY.

23    1. COLLECTION AND ENFORCEMENT GENERALLY. If so agreed,  
24 and in any event after default, a secured party:

25       a. may notify an account debtor or other person obligated  
26 on collateral to make payment or otherwise render performance  
27 to or for the benefit of the secured party;

28       b. may take any proceeds to which the secured party is  
29 entitled under section 554.9315;

30       c. may enforce the obligations of an account debtor or  
31 other person obligated on collateral and exercise the rights  
32 of the debtor with respect to the obligation of the account  
33 debtor or other person obligated on collateral to make payment  
34 or otherwise render performance to the debtor, and with  
35 respect to any property that secures the obligations of the

1 account debtor or other person obligated on the collateral;

2 d. if it holds a security interest in a deposit account  
3 perfected by control under section 554.9104, subsection 1,  
4 paragraph "a", may apply the balance of the deposit account to  
5 the obligation secured by the deposit account; and

6 e. if it holds a security interest in a deposit account  
7 perfected by control under section 554.9104, subsection 1,  
8 paragraph "b" or "c", may instruct the bank to pay the balance  
9 of the deposit account to or for the benefit of the secured  
10 party.

11 2. NONJUDICIAL ENFORCEMENT OF MORTGAGE. If necessary to  
12 enable a secured party to exercise under subsection 1,  
13 paragraph "c", the right of a debtor to enforce a mortgage  
14 nonjudicially, the secured party may record in the office in  
15 which a record of the mortgage is recorded:

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

19 b. the secured party's sworn affidavit in recordable form  
20 stating that:

21 (1) a default has occurred; and

22 (2) the secured party is entitled to enforce the mortgage  
23 nonjudicially.

24 3. COMMERCIALY REASONABLE COLLECTION AND ENFORCEMENT. A  
25 secured party shall proceed in a commercially reasonable  
26 manner if the secured party:

27 a. undertakes to collect from or enforce an obligation of  
28 an account debtor or other person obligated on collateral; and

29 b. is entitled to charge back uncollected collateral or  
30 otherwise to full or limited recourse against the debtor or a  
31 secondary obligor.

32 4. EXPENSES OF COLLECTION AND ENFORCEMENT. A secured  
33 party may deduct from the collections made pursuant to  
34 subsection 3 reasonable expenses of collection and  
35 enforcement, including reasonable attorney's fees and legal



1 expenses incurred by the secured party.

2 5. DUTIES TO SECURED PARTY NOT AFFECTED. This section  
3 does not determine whether an account debtor, bank, or other  
4 person obligated on collateral owes a duty to a secured party.

5 Sec. 106. NEW SECTION. 554.9608 APPLICATION OF PROCEEDS  
6 OF COLLECTION OR ENFORCEMENT -- LIABILITY FOR DEFICIENCY AND  
7 RIGHT TO SURPLUS.

8 1. APPLICATION OF PROCEEDS, SURPLUS, AND DEFICIENCY IF  
9 OBLIGATION SECURED. If a security interest or agricultural  
10 lien secures payment or performance of an obligation, the  
11 following rules apply:

12 a. a secured party shall apply or pay over for application  
13 the cash proceeds of collection or enforcement under this  
14 section in the following order to:

15 (1) the reasonable expenses of collection and enforcement  
16 and, to the extent provided for by agreement and not  
17 prohibited by law, reasonable attorney's fees and legal  
18 expenses incurred by the secured party;

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

22 (3) the satisfaction of obligations secured by any  
23 subordinate security interest in or other lien on the  
24 collateral subject to the security interest or agricultural  
25 lien under which the collection or enforcement is made if the  
26 secured party receives an authenticated demand for proceeds  
27 before distribution of the proceeds is completed.

28 b. if requested by a secured party, a holder of a  
29 subordinate security interest or other lien shall furnish  
30 reasonable proof of the interest or lien within a reasonable  
31 time. Unless the holder complies, the secured party need not  
32 comply with the holder's demand under paragraph "a",  
33 subparagraph (3).

34 c. a secured party need not apply or pay over for  
35 application noncash proceeds of collection and enforcement

1 under this section unless the failure to do so would be  
2 commercially unreasonable. A secured party that applies or  
3 pays over for application noncash proceeds shall do so in a  
4 commercially reasonable manner.

5 d. a secured party shall account to and pay a debtor for  
6 any surplus, and the obligor is liable for any deficiency.

7 2. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO  
8 PAYMENT. If the underlying transaction is a sale of accounts,  
9 chattel paper, payment intangibles, or promissory notes, the  
10 debtor is not entitled to any surplus, and the obligor is not  
11 liable for any deficiency.

12 Sec. 107. NEW SECTION. 554.9609 SECURED PARTY'S RIGHT TO  
13 TAKE POSSESSION AFTER DEFAULT.

14 1. POSSESSION -- RENDERING EQUIPMENT UNUSABLE --  
15 DISPOSITION ON DEBTOR'S PREMISES. After default, a secured  
16 party:

17 a. may take possession of the collateral; and

18 b. without removal, may render equipment unusable and  
19 dispose of collateral on a debtor's premises under section  
20 554.9610.

21 2. JUDICIAL AND NONJUDICIAL PROCESS. A secured party may  
22 proceed under subsection 1:

23 a. pursuant to judicial process; or

24 b. without judicial process, if it proceeds without breach  
25 of the peace.

26 3. ASSEMBLY OF COLLATERAL. If so agreed, and in any event  
27 after default, a secured party may require the debtor to  
28 assemble the collateral and make it available to the secured  
29 party at a place to be designated by the secured party which  
30 is reasonably convenient to both parties.

31 Sec. 108. NEW SECTION. 554.9610 DISPOSITION OF  
32 COLLATERAL AFTER DEFAULT.

33 1. DISPOSITION AFTER DEFAULT. After default, a secured  
34 party may sell, lease, license, or otherwise dispose of any or  
35 all of the collateral in its present condition or following

1 any commercially reasonable preparation or processing.

2 2. COMMERCIALY REASONABLE DISPOSITION. Every aspect of a  
3 disposition of collateral, including the method, manner, time,  
4 place, and other terms, must be commercially reasonable. If  
5 commercially reasonable, a secured party may dispose of  
6 collateral by public or private proceedings, by one or more  
7 contracts, as a unit or in parcels, and at any time and place  
8 and on any terms.

9 3. PURCHASE BY SECURED PARTY. A secured party may  
10 purchase collateral:

11 a. at a public disposition; or

12 b. at a private disposition only if the collateral is of a  
13 kind that is customarily sold on a recognized market or the  
14 subject of widely distributed standard price quotations.

15 4. WARRANTIES ON DISPOSITION. A contract for sale, lease,  
16 license, or other disposition includes the warranties relating  
17 to title, possession, quiet enjoyment, and the like which by  
18 operation of law accompany a voluntary disposition of property  
19 of the kind subject to the contract.

20 5. DISCLAIMER OF WARRANTIES. A secured party may disclaim  
21 or modify warranties under subsection 4:

22 a. in a manner that would be effective to disclaim or  
23 modify the warranties in a voluntary disposition of property  
24 of the kind subject to the contract of disposition; or

25 b. by communicating to the purchaser a record evidencing  
26 the contract for disposition and including an express  
27 disclaimer or modification of the warranties.

28 6. RECORD SUFFICIENT TO DISCLAIM WARRANTIES. A record is  
29 sufficient to disclaim warranties under subsection 5 if it  
30 indicates "There is no warranty relating to title, possession,  
31 quiet enjoyment, or the like in this disposition" or uses  
32 words of similar import.

33 Sec. 109. NEW SECTION. 554.9611 NOTIFICATION BEFORE  
34 DISPOSITION OF COLLATERAL.

35 1. NOTIFICATION DATE. In this section, "notification

1 date" means the earlier of the date on which:

2 a. a secured party sends to the debtor and any secondary  
3 obligor an authenticated notification of disposition; or

4 b. the debtor and any secondary obligor waive the right to  
5 notification.

6 2. NOTIFICATION OF DISPOSITION REQUIRED. Except as  
7 otherwise provided in subsection 4, a secured party that  
8 disposes of collateral under section 554.9610 shall send to  
9 the persons specified in subsection 3 a reasonable  
10 authenticated notification of disposition.

11 3. PERSONS TO BE NOTIFIED. To comply with subsection 2,  
12 the secured party shall send an authenticated notification of  
13 disposition to:

14 a. the debtor;

15 b. any secondary obligor; and

16 c. if the collateral is other than consumer goods:

17 (1) any other person from which the secured party has  
18 received, before the notification date, an authenticated  
19 notification of a claim of an interest in the collateral;

20 (2) any other secured party or lienholder that, ten days  
21 before the notification date, held a security interest in or  
22 other lien on the collateral perfected by the filing of a  
23 financing statement that:

24 (a) identified the collateral;

25 (b) was indexed under the debtor's name as of that date;  
26 and

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

30 (3) any other secured party that, ten days before the  
31 notification date, held a security interest in the collateral  
32 perfected by compliance with a statute, regulation, or treaty  
33 described in section 554.9311, subsection 1.

34 4. SUBSECTION 2 INAPPLICABLE -- PERISHABLE COLLATERAL --  
35 RECOGNIZED MARKET. Subsection 2 does not apply if the

1 collateral is perishable or threatens to decline speedily in  
2 value or is of a type customarily sold on a recognized market.

3 5. COMPLIANCE WITH SUBSECTION 3, PARAGRAPH "C",  
4 SUBPARAGRAPH (2). A secured party complies with the  
5 requirement for notification prescribed by subsection 3,  
6 paragraph "c", subparagraph (2), if:

7 a. not later than twenty days or earlier than thirty days  
8 before the notification date, the secured party requests, in a  
9 commercially reasonable manner, information concerning  
10 financing statements indexed under the debtor's name in the  
11 office indicated in subsection 3, paragraph "c", subparagraph  
12 (2); and

13 b. before the notification date, the secured party:

14 (1) did not receive a response to the request for  
15 information; or

16 (2) received a response to the request for information and  
17 sent an authenticated notification of disposition to each  
18 secured party or other lienholder named in that response whose  
19 financing statement covered the collateral.

20 Sec. 110. NEW SECTION. 554.9612 TIMELINESS OF  
21 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

22 1. REASONABLE TIME IS QUESTION OF FACT. Except as  
23 otherwise provided in subsection 2, whether a notification is  
24 sent within a reasonable time is a question of fact.

25 2. TEN-DAY PERIOD SUFFICIENT IN NONCONSUMER TRANSACTION.

26 In a transaction other than a consumer transaction, a  
27 notification of disposition sent after default and ten days or  
28 more before the earliest time of disposition set forth in the  
29 notification is sent within a reasonable time before the  
30 disposition.

31 Sec. 111. NEW SECTION. 554.9613 CONTENTS AND FORM OF  
32 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- GENERAL.

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

35 1. The contents of a notification of disposition are

1 sufficient if the notification:

2 a. describes the debtor and the secured party;

3 b. describes the collateral that is the subject of the  
4 intended disposition;

5 c. states the method of intended disposition;

6 d. states that the debtor is entitled to an accounting of  
7 the unpaid indebtedness and states the charge, if any, for an  
8 accounting; and

9 e. states the time and place of a public sale or the time  
10 after which any other disposition is to be made.

11 2. Whether the contents of a notification that lacks any  
12 of the information specified in subsection 1 are nevertheless  
13 sufficient is a question of fact.

14 3. The contents of a notification providing substantially  
15 the information specified in subsection 1 are sufficient, even  
16 if the notification includes:

17 a. information not specified by that subsection; or

18 b. minor errors that are not seriously misleading.

19 4. A particular phrasing of the notification is not  
20 required.

21 5. The following form of notification and the form  
22 appearing in section 554.9614, subsection 3, when completed,  
23 each provides sufficient information:

24 NOTIFICATION OF DISPOSITION OF COLLATERAL

25 To: [name of debtor, obligor, or other person to which the  
26 notification is sent]

27 From: [name, address, and telephone number of secured  
28 party]

29 Name of Debtor(s): [include only if debtor(s) are not an  
30 addressee]

31 [for a public disposition:]

32 We will sell [or lease or license, as applicable] the  
33 [describe collateral] [to the highest qualified bidder] in  
34 public as follows:

35 Day and Date: \_\_\_\_\_

1 Time: \_\_\_\_\_

2 Place: \_\_\_\_\_

3 [for a private disposition:]

4 We will sell [or lease or license, as applicable] the  
5 [describe collateral] privately sometime after [day and date].

6 You are entitled to an accounting of the unpaid indebtedness  
7 secured by the property that we intend to sell [or lease or  
8 license, as applicable] [for a charge of \_\_\_\_\_ dollars].

9 You may request an accounting by calling us at [telephone  
10 number].

11 Sec. 112. NEW SECTION. 554.9614 CONTENTS AND FORM OF  
12 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- CONSUMER-  
13 GOODS TRANSACTION.

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

15 1. A notification of disposition must provide the  
16 following information:

17 a. the information specified in section 554.9613,  
18 subsection 1;

19 b. a description of any liability for a deficiency of the  
20 person to which the notification is sent;

21 c. a telephone number from which the amount that must be  
22 paid to the secured party to redeem the collateral under  
23 section 554.9623 is available; and

24 d. a telephone number or mailing address from which  
25 additional information concerning the disposition and the  
26 obligation secured is available.

27 2. A particular phrasing of the notification is not  
28 required.

29 3. The following form of notification, when completed,  
30 provides sufficient information:

31 [name and address of secured party]

32 [date]

33 NOTICE OF OUR PLAN TO SELL PROPERTY

34 [name and address of any obligor who is also a debtor]

35 Subject: [identification of transaction]

1 We have your [describe collateral], because you broke  
2 promises in our agreement.

3 [for a public disposition:]

4 We will sell [describe collateral] at public sale. A sale  
5 could include a lease or license. The sale will be held as  
6 follows:

7 Date: \_\_\_\_\_

8 Time: \_\_\_\_\_

9 Place: \_\_\_\_\_

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

11 [for a private disposition:]

12 We will sell [describe collateral] at private sale sometime  
13 after [date]. A sale could include a lease or license.

14 The money that we get from the sale (after paying our costs)  
15 will reduce the amount you owe. If we get less money than you  
16 owe, you [will or will not, as applicable] still owe us the  
17 difference. If we get more money than you owe, you will get  
18 the extra money, unless we must pay it to someone else.

19 You can get the property back at any time before we sell it  
20 by paying us the full amount you owe (not just the past due  
21 payments), including our expenses. To learn the exact amount you  
22 must pay, call us at [telephone number].

23 If you want us to explain to you in writing how we have  
24 figured the amount that you owe us, you may call us at  
25 [telephone number] [or write us at [secured party's address]]  
26 and request a written explanation. [We will charge you  
27 \_\_\_\_\_ for the explanation if we sent you another  
28 written explanation of the amount you owe us within the  
29 last six months.]

30 If you need more information about the sale call us at  
31 [telephone number] [or write us at [secured party's address]].

32 We are sending this notice to the following other people who  
33 have an interest in [describe collateral] or who owe money under  
34 your agreement:

35 [names of all other debtors and obligors, if any]



1 4. A notification in the form of subsection 3 is  
2 sufficient, even if additional information appears at the end  
3 of the form.

4 5. A notification in the form of subsection 3 is  
5 sufficient, even if it includes errors in information not  
6 required by subsection 1, unless the error is misleading with  
7 respect to rights arising under this Article.

8 6. If a notification under this section is not in the form  
9 of subsection 3, law other than this Article determines the  
10 effect of including information not required by subsection 1.

11 Sec. 113. NEW SECTION. 554.9615 APPLICATION OF PROCEEDS  
12 OF DISPOSITION -- LIABILITY FOR DEFICIENCY AND RIGHT TO  
13 SURPLUS.

14 1. APPLICATION OF PROCEEDS. A secured party shall apply  
15 or pay over for application the cash proceeds of disposition  
16 in the following order to:

17 a. the reasonable expenses of retaking, holding, preparing  
18 for disposition, processing, and disposing, and, to the extent  
19 provided for by agreement and not prohibited by law,  
20 reasonable attorney's fees and legal expenses incurred by the  
21 secured party;

22 b. the satisfaction of obligations secured by the security  
23 interest or agricultural lien under which the disposition is  
24 made;

25 c. the satisfaction of obligations secured by any  
26 subordinate security interest in or other subordinate lien on  
27 the collateral if:

28 (1) the secured party receives from the holder of the  
29 subordinate security interest or other lien an authenticated  
30 demand for proceeds before distribution of the proceeds is  
31 completed; and

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

35 d. a secured party that is a consignor of the collateral

1 if the secured party receives from the consignor an  
2 authenticated demand for proceeds before distribution of the  
3 proceeds is completed.

4 2. PROOF OF SUBORDINATE INTEREST. If requested by a  
5 secured party, a holder of a subordinate security interest or  
6 other lien shall furnish reasonable proof of the interest or  
7 lien within a reasonable time. Unless the holder does so, the  
8 secured party need not comply with the holder's demand under  
9 subsection 1, paragraph "c".

10 3. APPLICATION OF NONCASH PROCEEDS. A secured party need  
11 not apply or pay over for application noncash proceeds of  
12 disposition under this section unless the failure to do so  
13 would be commercially unreasonable. A secured party that  
14 applies or pays over for application noncash proceeds shall do  
15 so in a commercially reasonable manner.

16 4. SURPLUS OR DEFICIENCY IF OBLIGATION SECURED. If the  
17 security interest under which a disposition is made secures  
18 payment or performance of an obligation, after making the  
19 payments and applications required by subsection 1 and  
20 permitted by subsection 3:

21 a. unless subsection 1, paragraph "d", requires the  
22 secured party to apply or pay over cash proceeds to a  
23 consignor, the secured party shall account to and pay a debtor  
24 for any surplus; and

25 b. the obligor is liable for any deficiency.

26 5. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO  
27 PAYMENT. If the underlying transaction is a sale of accounts,  
28 chattel paper, payment intangibles, or promissory notes:

29 a. the debtor is not entitled to any surplus; and

30 b. the obligor is not liable for any deficiency.

31 6. CALCULATION OF SURPLUS OR DEFICIENCY IN DISPOSITION TO  
32 PERSON RELATED TO SECURED PARTY. The surplus or deficiency  
33 following a disposition is calculated based on the amount of  
34 proceeds that would have been realized in a disposition  
35 complying with this part to a transferee other than the

1 secured party, a person related to the secured party, or a  
2 secondary obligor if:

3 a. the transferee in the disposition is the secured party,  
4 a person related to the secured party, or a secondary obligor;  
5 and

6 b. the amount of proceeds of the disposition is  
7 significantly below the range of proceeds that a complying  
8 disposition to a person other than the secured party, a person  
9 related to the secured party, or a secondary obligor would  
10 have brought.

11 7. CASH PROCEEDS RECEIVED BY JUNIOR SECURED PARTY. A  
12 secured party that receives cash proceeds of a disposition in  
13 good faith and without knowledge that the receipt violates the  
14 rights of the holder of a security interest or other lien that  
15 is not subordinate to the security interest or agricultural  
16 lien under which the disposition is made:

17 a. takes the cash proceeds free of the security interest  
18 or other lien;

19 b. is not obligated to apply the proceeds of the  
20 disposition to the satisfaction of obligations secured by the  
21 security interest or other lien; and

22 c. is not obligated to account to or pay the holder of the  
23 security interest or other lien for any surplus.

24 Sec. 114. NEW SECTION. 554.9616 EXPLANATION OF  
25 CALCULATION OF SURPLUS OR DEFICIENCY.

26 1. DEFINITIONS. In this section:

27 a. "Explanation" means a writing that:

28 (1) states the amount of the surplus or deficiency;

29 (2) provides an explanation in accordance with subsection  
30 3 of how the secured party calculated the surplus or  
31 deficiency;

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

1 (4) provides a telephone number or mailing address from  
2 which additional information concerning the transaction is  
3 available.

4 b. "Request" means a record:

5 (1) authenticated by a debtor or consumer obligor;

6 (2) requesting that the recipient provide an explanation;  
7 and

8 (3) sent after disposition of the collateral under section  
9 554.9610.

10 2. EXPLANATION OF CALCULATION. In a consumer-goods  
11 transaction in which the debtor is entitled to a surplus or a  
12 consumer obligor is liable for a deficiency under section  
13 554.9615, the secured party shall:

14 a. send an explanation to the debtor or consumer obligor,  
15 as applicable, after the disposition and:

16 (1) before or when the secured party accounts to the  
17 debtor and pays any surplus or first makes written demand on  
18 the consumer obligor after the disposition for payment of the  
19 deficiency; and

20 (2) within fourteen days after receipt of a request; or

21 b. in the case of a consumer obligor who is liable for a  
22 deficiency, within fourteen days after receipt of a request,  
23 send to the consumer obligor a record waiving the secured  
24 party's right to a deficiency.

25 3. REQUIRED INFORMATION. To comply with subsection 1,  
26 paragraph "a", subparagraph (2), a writing must provide the  
27 following information in the following order:

28 a. the aggregate amount of obligations secured by the  
29 security interest under which the disposition was made, and,  
30 if the amount reflects a rebate of unearned interest or credit  
31 service charge, an indication of that fact, calculated as of a  
32 specified date:

33 (1) if the secured party takes or receives possession of  
34 the collateral after default, not more than thirty-five days  
35 before the secured party takes or receives possession; or

1 (2) if the secured party takes or receives possession of  
2 the collateral before default or does not take possession of  
3 the collateral, not more than thirty-five days before the  
4 disposition;

5 b. the amount of proceeds of the disposition;

6 c. the aggregate amount of the obligations after deducting  
7 the amount of proceeds;

8 d. the amount, in the aggregate or by type, and types of  
9 expenses, including expenses of retaking, holding, preparing  
10 for disposition, processing, and disposing of the collateral,  
11 and attorney's fees secured by the collateral which are known  
12 to the secured party and relate to the current disposition;

13 e. the amount, in the aggregate or by type, and types of  
14 credits, including rebates of interest or credit service  
15 charges, to which the obligor is known to be entitled and  
16 which are not reflected in the amount in paragraph "a"; and

17 f. the amount of the surplus or deficiency.

18 4. SUBSTANTIAL COMPLIANCE. A particular phrasing of the  
19 explanation is not required. An explanation complying  
20 substantially with the requirements of subsection 1 is  
21 sufficient, even if it includes minor errors that are not  
22 seriously misleading.

23 5. CHARGES FOR RESPONSES. A debtor or consumer obligor is  
24 entitled without charge to one response to a request under  
25 this section during any six-month period in which the secured  
26 party did not send to the debtor or consumer obligor an  
27 explanation pursuant to subsection 2, paragraph "a". The  
28 secured party may require payment of a charge not exceeding  
29 twenty-five dollars for each additional response.

30 Sec. 115. NEW SECTION. 554.9617 RIGHTS OF TRANSFEREE OF  
31 COLLATERAL.

32 1. EFFECTS OF DISPOSITION. A secured party's disposition  
33 of collateral after default:

34 a. transfers to a transferee for value all of the debtor's  
35 rights in the collateral;

1 b. discharges the security interest under which the  
2 disposition is made; and

3 c. discharges any subordinate security interest or other  
4 subordinate lien.

5 2. RIGHTS OF GOOD-FAITH TRANSFEREE. A transferee that  
6 acts in good faith takes free of the rights and interests  
7 described in subsection 1, even if the secured party fails to  
8 comply with this Article or the requirements of any judicial  
9 proceeding.

10 3. RIGHTS OF OTHER TRANSFEREE. If a transferee does not  
11 take free of the rights and interests described in subsection  
12 1, the transferee takes the collateral subject to:

13 a. the debtor's rights in the collateral;

14 b. the security interest or agricultural lien under which  
15 the disposition is made; and

16 c. any other security interest or other lien.

17 Sec. 116. NEW SECTION. 554.9618 RIGHTS AND DUTIES OF  
18 CERTAIN SECONDARY OBLIGORS.

19 1. RIGHTS AND DUTIES OF SECONDARY OBLIGOR. A secondary  
20 obligor acquires the rights and becomes obligated to perform  
21 the duties of the secured party after the secondary obligor:

22 a. receives an assignment of a secured obligation from the  
23 secured party;

24 b. receives a transfer of collateral from the secured  
25 party and agrees to accept the rights and assume the duties of  
26 the secured party; or

27 c. is subrogated to the rights of a secured party with  
28 respect to collateral.

29 2. EFFECT OF ASSIGNMENT, TRANSFER, OR SUBROGATION. An  
30 assignment, transfer, or subrogation described in subsection  
31 1:

32 a. is not a disposition of collateral under section  
33 554.9610; and

34 b. relieves the secured party of further duties under this  
35 Article.

1     Sec. 117. NEW SECTION. 554.9619 TRANSFER OF RECORD OR  
2 LEGAL TITLE.

3     1. TRANSFER STATEMENT. In this section, "transfer  
4 statement" means a record authenticated by a secured party  
5 stating:

6     a. that the debtor has defaulted in connection with an  
7 obligation secured by specified collateral;

8     b. that the secured party has exercised its post-default  
9 remedies with respect to the collateral;

10    c. that, by reason of the exercise, a transferee has  
11 acquired the rights of the debtor in the collateral; and

12    d. the name and mailing address of the secured party,  
13 debtor, and transferee.

14    2. EFFECT OF TRANSFER STATEMENT. A transfer statement  
15 entitles the transferee to the transfer of record of all  
16 rights of the debtor in the collateral specified in the  
17 statement in any official filing, recording, registration, or  
18 certificate-of-title system covering the collateral. If a  
19 transfer statement is presented with the applicable fee and  
20 request form to the official or office responsible for  
21 maintaining the system, the official or office shall:

22    a. accept the transfer statement;

23    b. promptly amend its records to reflect the transfer; and

24    c. if applicable, issue a new appropriate certificate of  
25 title in the name of the transferee.

26    3. TRANSFER NOT A DISPOSITION -- NO RELIEF OF SECURED  
27 PARTY'S DUTIES. A transfer of the record or legal title to  
28 collateral to a secured party under subsection 2 or otherwise  
29 is not of itself a disposition of collateral under this  
30 Article and does not of itself relieve the secured party of  
31 its duties under this Article.

32    Sec. 118. NEW SECTION. 554.9620 ACCEPTANCE OF COLLATERAL  
33 IN FULL OR PARTIAL SATISFACTION OF OBLIGATION -- COMPULSORY  
34 DISPOSITION OF COLLATERAL.

35    1. CONDITIONS TO ACCEPTANCE IN SATISFACTION. Except as

1 otherwise provided in subsection 7, a secured party may accept  
2 collateral in full or partial satisfaction of the obligation  
3 it secures only if:

4 a. the debtor consents to the acceptance under subsection  
5 3;

6 b. the secured party does not receive, within the time set  
7 forth in subsection 4, a notification of objection to the  
8 proposal authenticated by:

9 (1) a person to which the secured party was required to  
10 send a proposal under section 554.9621; or

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

14 c. if the collateral is consumer goods, the collateral is  
15 not in the possession of the debtor when the debtor consents  
16 to the acceptance; and

17 d. subsection 5 does not require the secured party to  
18 dispose of the collateral or the debtor waives the requirement  
19 pursuant to section 554.9624.

20 2. PURPORTED ACCEPTANCE INEFFECTIVE. A purported or  
21 apparent acceptance of collateral under this section is  
22 ineffective unless:

23 a. the secured party consents to the acceptance in an  
24 authenticated record or sends a proposal to the debtor; and

25 b. the conditions of subsection 1 are met.

26 3. DEBTOR'S CONSENT. For purposes of this section:

27 a. a debtor consents to an acceptance of collateral in  
28 partial satisfaction of the obligation it secures only if the  
29 debtor agrees to the terms of the acceptance in a record  
30 authenticated after default; and

31 b. a debtor consents to an acceptance of collateral in  
32 full satisfaction of the obligation it secures only if the  
33 debtor agrees to the terms of the acceptance in a record  
34 authenticated after default or the secured party:

35 (1) sends to the debtor after default a proposal that is



1 unconditional or subject only to a condition that collateral  
2 not in the possession of the secured party be preserved or  
3 maintained;

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

6 (3) does not receive a notification of objection  
7 authenticated by the debtor within twenty days after the  
8 proposal is sent.

9 4. EFFECTIVENESS OF NOTIFICATION. To be effective under  
10 subsection 1, paragraph "b", a notification of objection must  
11 be received by the secured party:

12 a. in the case of a person to which the proposal was sent  
13 pursuant to section 554.9621, within twenty days after  
14 notification was sent to that person; and

15 b. in other cases:

16 (1) within twenty days after the last notification was  
17 sent pursuant to section 554.9621; or

18 (2) if a notification was not sent, before the debtor  
19 consents to the acceptance under subsection 3.

20 5. MANDATORY DISPOSITION OF CONSUMER GOODS. A secured  
21 party that has taken possession of collateral shall dispose of  
22 the collateral pursuant to section 554.9610 within the time  
23 specified in subsection 6 if:

24 a. sixty percent of the cash price has been paid in the  
25 case of a purchase-money security interest in consumer goods;  
26 or

27 b. sixty percent of the principal amount of the obligation  
28 secured has been paid in the case of a non-purchase-money  
29 security interest in consumer goods.

30 6. COMPLIANCE WITH MANDATORY DISPOSITION REQUIREMENT. To  
31 comply with subsection 5, the secured party shall dispose of  
32 the collateral:

33 a. within ninety days after taking possession; or

34 b. within any longer period to which the debtor and all  
35 secondary obligors have agreed in an agreement to that effect

1 entered into and authenticated after default.

2 7. NO PARTIAL SATISFACTION IN CONSUMER TRANSACTION. In a  
3 consumer transaction, a secured party may not accept  
4 collateral in partial satisfaction of the obligation it  
5 secures.

6 Sec. 119. NEW SECTION. 554.9621 NOTIFICATION OF PROPOSAL  
7 TO ACCEPT COLLATERAL.

8 1. PERSONS TO WHICH PROPOSAL TO BE SENT. A secured party  
9 that desires to accept collateral in full or partial  
10 satisfaction of the obligation it secures shall send its  
11 proposal to:

12 a. any person from which the secured party has received,  
13 before the debtor consented to the acceptance, an  
14 authenticated notification of a claim of an interest in the  
15 collateral;

16 b. any other secured party or lienholder that, ten days  
17 before the debtor consented to the acceptance, held a security  
18 interest in or other lien on the collateral perfected by the  
19 filing of a financing statement that:

20 (1) identified the collateral;

21 (2) was indexed under the debtor's name as of that date;  
22 and

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

26 c. any other secured party that, ten days before the  
27 debtor consented to the acceptance, held a security interest  
28 in the collateral perfected by compliance with a statute,  
29 regulation, or treaty described in section 554.9311,  
30 subsection 1.

31 2. PROPOSAL TO BE SENT TO SECONDARY OBLIGOR IN PARTIAL  
32 SATISFACTION. A secured party that desires to accept  
33 collateral in partial satisfaction of the obligation it  
34 secures shall send its proposal to any secondary obligor in  
35 addition to the persons described in subsection 1.

1     Sec. 120.   NEW SECTION.   554.9622   EFFECT OF ACCEPTANCE OF  
2 COLLATERAL.

3     1.   EFFECT OF ACCEPTANCE.   A secured party's acceptance of  
4 collateral in full or partial satisfaction of the obligation  
5 it secures:

6     a.   discharges the obligation to the extent consented to by  
7 the debtor;

8     b.   transfers to the secured party all of a debtor's rights  
9 in the collateral;

10    c.   discharges the security interest or agricultural lien  
11 that is the subject of the debtor's consent and any  
12 subordinate security interest or other subordinate lien; and

13    d.   terminates any other subordinate interest.

14    2.   DISCHARGE OF SUBORDINATE INTEREST NOTWITHSTANDING  
15 NONCOMPLIANCE.   A subordinate interest is discharged or  
16 terminated under subsection 1, even if the secured party fails  
17 to comply with this Article.

18    Sec. 121.   NEW SECTION.   554.9623   RIGHT TO REDEEM  
19 COLLATERAL.

20    1.   PERSONS THAT MAY REDEEM.   A debtor, any secondary  
21 obligor, or any other secured party or lienholder may redeem  
22 collateral.

23    2.   REQUIREMENTS FOR REDEMPTION.   To redeem collateral, a  
24 person shall tender:

25    a.   fulfillment of all obligations secured by the  
26 collateral; and

27    b.   the reasonable expenses and attorney's fees described  
28 in section 554.9615, subsection 1, paragraph "a".

29    3.   WHEN REDEMPTION MAY OCCUR.   A redemption may occur at  
30 any time before a secured party:

31    a.   has collected collateral under section 554.9607;

32    b.   has disposed of collateral or entered into a contract  
33 for its disposition under section 554.9610; or

34    c.   has accepted collateral in full or partial satisfaction  
35 of the obligation it secures under section 554.9622.

1 Sec. 122. NEW SECTION. 554.9624 WAIVER.

2 1. WAIVER OF DISPOSITION NOTIFICATION. A debtor or  
3 secondary obligor may waive the right to notification of  
4 disposition of collateral under section 554.9611 only by an  
5 agreement to that effect entered into and authenticated after  
6 default.

7 2. WAIVER OF MANDATORY DISPOSITION. A debtor may waive  
8 the right to require disposition of collateral under section  
9 554.9620, subsection 5, only by an agreement to that effect  
10 entered into and authenticated after default.

11 3. WAIVER OF REDEMPTION RIGHT. Except in a consumer-goods  
12 transaction, a debtor or secondary obligor may waive the right  
13 to redeem collateral under section 554.9623 only by an  
14 agreement to that effect entered into and authenticated after  
15 default.

16 B. NONCOMPLIANCE WITH ARTICLE

17 Sec. 123. NEW SECTION. 554.9625 REMEDIES FOR SECURED  
18 PARTY'S FAILURE TO COMPLY WITH ARTICLE.

19 1. JUDICIAL ORDERS CONCERNING NONCOMPLIANCE. If it is  
20 established that a secured party is not proceeding in  
21 accordance with this Article, a court may order or restrain  
22 collection, enforcement, or disposition of collateral on  
23 appropriate terms and conditions.

24 2. DAMAGES FOR NONCOMPLIANCE. Subject to subsections 3,  
25 4, and 6, a person is liable for damages in the amount of any  
26 loss caused by a failure to comply with this Article. Loss  
27 caused by a failure to comply with a request under section  
28 554.9210 may include loss resulting from the debtor's  
29 inability to obtain, or increased costs of, alternative  
30 financing.

31 3. PERSONS ENTITLED TO RECOVER DAMAGES -- STATUTORY  
32 DAMAGES IN CONSUMER-GOODS TRANSACTION. Except as otherwise  
33 provided in section 554.9628:

34 a. a person that, at the time of the failure, was a  
35 debtor, was an obligor, or held a security interest in or

1 other lien on the collateral may recover damages under  
2 subsection 2 for its loss; and

3     b. if the collateral is consumer goods, a person that was  
4 a debtor or a secondary obligor at the time a secured party  
5 failed to comply with this part may recover for that failure  
6 in any event an amount not less than the credit service charge  
7 plus ten percent of the principal amount of the obligation or  
8 the time-price differential plus ten percent of the cash  
9 price.

10     4. RECOVERY WHEN DEFICIENCY ELIMINATED OR REDUCED. A  
11 debtor whose deficiency is eliminated under section 554.9626  
12 may recover damages for the loss of any surplus. However, a  
13 debtor or secondary obligor whose deficiency is eliminated or  
14 reduced under section 554.9626 may not otherwise recover under  
15 subsection 2 for noncompliance with the provisions of this  
16 part relating to collection, enforcement, disposition, or  
17 acceptance.

18     5. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SPECIFIED  
19 PROVISIONS. In addition to any damages recoverable under  
20 subsection 2, the debtor, consumer obligor, or person named as  
21 a debtor in a filed record, as applicable, may recover five  
22 hundred dollars in each case from a person that:

23     a. fails to comply with section 554.9208;

24     b. fails to comply with section 554.9209;

25     c. files a record that the person is not entitled to file  
26 under section 554.9509, subsection 1;

27     d. fails to cause the secured party of record to file or  
28 send a termination statement as required by section 554.9513,  
29 subsection 1 or 3;

30     e. fails to comply with section 554.9616, subsection 2,  
31 paragraph "a", and whose failure is part of a pattern, or  
32 consistent with a practice, of noncompliance; or

33     f. fails to comply with section 554.9616, subsection 2,  
34 paragraph "b".

35     6. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SECTION

1 554.9210. A debtor or consumer obligor may recover damages  
2 under subsection 2 and, in addition, five hundred dollars in  
3 each case from a person that, without reasonable cause, fails  
4 to comply with a request under section 554.9210. A recipient  
5 of a request under section 554.9210 which never claimed an  
6 interest in the collateral or obligations that are the subject  
7 of a request under that section has a reasonable excuse for  
8 failure to comply with the request within the meaning of this  
9 subsection.

10 7. LIMITATION OF SECURITY INTEREST -- NONCOMPLIANCE WITH  
11 SECTION 554.9210. If a secured party fails to comply with a  
12 request regarding a list of collateral or a statement of  
13 account under section 554.9210, the secured party may claim a  
14 security interest only as shown in the statement included in  
15 the request as against a person that is reasonably misled by  
16 the failure.

17 Sec. 124. NEW SECTION. 554.9626 ACTION IN WHICH  
18 DEFICIENCY OR SURPLUS IS IN ISSUE.

19 1. APPLICABLE RULES IF AMOUNT OF DEFICIENCY OR SURPLUS IN  
20 ISSUE. In an action arising from a transaction, other than a  
21 consumer transaction, in which the amount of a deficiency or  
22 surplus is in issue, the following rules apply:

23 a. a secured party need not prove compliance with the  
24 provisions of this part relating to collection, enforcement,  
25 disposition, or acceptance unless the debtor or a secondary  
26 obligor places the secured party's compliance in issue.

27 b. if the secured party's compliance is placed in issue,  
28 the secured party has the burden of establishing that the  
29 collection, enforcement, disposition, or acceptance was  
30 conducted in accordance with this part.

31 c. except as otherwise provided in section 554.9628, if a  
32 secured party fails to prove that the collection, enforcement,  
33 disposition, or acceptance was conducted in accordance with  
34 the provisions of this part relating to collection,  
35 enforcement, disposition, or acceptance, the liability of a

1 debtor or a secondary obligor for a deficiency is limited to  
2 an amount by which the sum of the secured obligation,  
3 expenses, and attorney's fees exceeds the greater of:

4 (1) the proceeds of the collection, enforcement,  
5 disposition, or acceptance; or

6 (2) the amount of proceeds that would have been realized  
7 had the noncomplying secured party proceeded in accordance  
8 with the provisions of this part relating to collection,  
9 enforcement, disposition, or acceptance.

10 d. for purposes of paragraph "c", subparagraph (2), the  
11 amount of proceeds that would have been realized is equal to  
12 the sum of the secured obligation, expenses, and attorney's  
13 fees unless the secured party proves that the amount is less  
14 than that sum.

15 e. if a deficiency or surplus is calculated under section  
16 554.9615, subsection 6, the debtor or obligor has the burden  
17 of establishing that the amount of proceeds of the disposition  
18 is significantly below the range of prices that a complying  
19 disposition to a person other than the secured party, a person  
20 related to the secured party, or a secondary obligor would  
21 have brought.

22 2. NONCONSUMER TRANSACTIONS -- NO INFERENCE. The  
23 limitation of the rules in subsection 1 to transactions other  
24 than consumer transactions is intended to leave to the court  
25 the determination of the proper rules in consumer  
26 transactions. The court may not infer from that limitation  
27 the nature of the proper rule in consumer transactions and may  
28 continue to apply established approaches.

29 Sec. 125. NEW SECTION. 554.9627 DETERMINATION OF WHETHER  
30 CONDUCT WAS COMMERCIALY REASONABLE.

31 1. GREATER AMOUNT OBTAINABLE UNDER OTHER CIRCUMSTANCES --  
32 NO PRECLUSION OF COMMERCIAL REASONABLENESS. The fact that a  
33 greater amount could have been obtained by a collection,  
34 enforcement, disposition, or acceptance at a different time or  
35 in a different method from that selected by the secured party

1 is not of itself sufficient to preclude the secured party from  
2 establishing that the collection, enforcement, disposition, or  
3 acceptance was made in a commercially reasonable manner.

4 2. DISPOSITIONS THAT ARE COMMERCIALY REASONABLE. A  
5 disposition of collateral is made in a commercially reasonable  
6 manner if the disposition is made:

7 a. in the usual manner on any recognized market;

8 b. at the price current in any recognized market at the  
9 time of the disposition; or

10 c. otherwise in conformity with reasonable commercial  
11 practices among dealers in the type of property that was the  
12 subject of the disposition.

13 3. APPROVAL BY COURT OR ON BEHALF OF CREDITORS. A  
14 collection, enforcement, disposition, or acceptance is  
15 commercially reasonable if it has been approved:

16 a. in a judicial proceeding;

17 b. by a bona fide creditors' committee;

18 c. by a representative of creditors; or

19 d. by an assignee for the benefit of creditors.

20 4. APPROVAL UNDER SUBSECTION 3 NOT NECESSARY -- ABSENCE OF  
21 APPROVAL HAS NO EFFECT. Approval under subsection 3 need not  
22 be obtained, and lack of approval does not mean that the  
23 collection, enforcement, disposition, or acceptance is not  
24 commercially reasonable.

25 Sec. 126. NEW SECTION. 554.9628 NONLIABILITY AND  
26 LIMITATION ON LIABILITY OF SECURED PARTY -- LIABILITY OF  
27 SECONDARY OBLIGOR.

28 1. LIMITATION OF LIABILITY OF SECURED PARTY FOR  
29 NONCOMPLIANCE WITH ARTICLE. Unless a secured party knows that  
30 a person is a debtor or obligor, knows the identity of the  
31 person, and knows how to communicate with the person:

32 a. the secured party is not liable to the person, or to a  
33 secured party or lienholder that has filed a financing  
34 statement against the person, for failure to comply with this  
35 Article; and



1 b. the secured party's failure to comply with this Article  
2 does not affect the liability of the person for a deficiency.

3 2. LIMITATION OF LIABILITY BASED ON STATUS AS SECURED  
4 PARTY. A secured party is not liable because of its status as  
5 secured party:

6 a. to a person that is a debtor or obligor, unless the  
7 secured party knows:

8 (1) that the person is a debtor or obligor;

9 (2) the identity of the person; and

10 (3) how to communicate with the person; or

11 b. to a secured party or lienholder that has filed a  
12 financing statement against a person, unless the secured party  
13 knows:

14 (1) that the person is a debtor; and

15 (2) the identity of the person.

16 3. LIMITATION OF LIABILITY IF REASONABLE BELIEF THAT  
17 TRANSACTION NOT A CONSUMER-GOODS TRANSACTION OR CONSUMER  
18 TRANSACTION. A secured party is not liable to any person, and  
19 a person's liability for a deficiency is not affected, because  
20 of any act or omission arising out of the secured party's  
21 reasonable belief that a transaction is not a consumer-goods  
22 transaction or a consumer transaction or that goods are not  
23 consumer goods, if the secured party's belief is based on its  
24 reasonable reliance on:

25 a. a debtor's representation concerning the purpose for  
26 which collateral was to be used, acquired, or held; or

27 b. an obligor's representation concerning the purpose for  
28 which a secured obligation was incurred.

29 4. LIMITATION OF LIABILITY FOR STATUTORY DAMAGES. A  
30 secured party is not liable to any person under section  
31 554.9625, subsection 3, paragraph "b", for its failure to  
32 comply with section 554.9616.

33 5. LIMITATION OF MULTIPLE LIABILITY FOR STATUTORY DAMAGES.  
34 A secured party is not liable under section 554.9625,  
35 subsection 3, paragraph "b", more than once with respect to

1 any one secured obligation.

2 PART 7

3 TRANSITION

4 Sec. 127. NEW SECTION. 554.9701 EFFECTIVE DATE.

5 This Article takes effect on July 1, 2001.

6 Sec. 128. NEW SECTION. 554.9702 SAVINGS CLAUSE.

7 1. PRE-EFFECTIVE-DATE TRANSACTIONS OR LIENS. Except as  
8 otherwise provided in this part, this Act applies to a  
9 transaction or lien within its scope, even if the transaction  
10 or lien was entered into or created before this Act takes  
11 effect.

12 2. CONTINUING VALIDITY. Except as otherwise provided in  
13 subsection 3 and sections 554.9703, 554.9704, 554.9705,  
14 554.9706, 554.9707, and 554.9708:

15 a. transactions and liens that were not governed by former  
16 Article 9, were validly entered into or created before this  
17 Act takes effect, and would be subject to this Act if they had  
18 been entered into or created after this Act takes effect, and  
19 the rights, duties, and interests flowing from those  
20 transactions and liens remain valid after this Act takes  
21 effect; and

22 b. the transactions and liens may be terminated,  
23 completed, consummated, and enforced as required or permitted  
24 by this Act or by the law that otherwise would apply if this  
25 Act had not taken effect.

26 3. PRE-EFFECTIVE-DATE PROCEEDINGS. This Act does not  
27 affect an action, case, or proceeding commenced before this  
28 Act takes effect.

29 Sec. 129. NEW SECTION. 554.9703 SECURITY INTEREST  
30 PERFECTED BEFORE EFFECTIVE DATE.

31 1. CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION  
32 REQUIREMENTS SATISFIED. A security interest that is  
33 enforceable immediately before this Act takes effect and would  
34 have priority over the rights of a person that becomes a lien  
35 creditor at that time is a perfected security interest under

1 this Act if, when this Act takes effect, the applicable  
2 requirements for enforceability and perfection under this Act  
3 are satisfied without further action.

4 2. CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION  
5 REQUIREMENTS NOT SATISFIED. Except as otherwise provided in  
6 section 554.9705, if, immediately before this Act takes  
7 effect, a security interest is enforceable and would have  
8 priority over the rights of a person that becomes a lien  
9 creditor at that time, but the applicable requirements for  
10 enforceability or perfection under this Act are not satisfied  
11 when this Act takes effect, the security interest:

12 a. is a perfected security interest for one year after  
13 this Act takes effect;

14 b. remains enforceable thereafter only if the security  
15 interest becomes enforceable under section 554.9203 before the  
16 year expires; and

17 c. remains perfected thereafter only if the applicable  
18 requirements for perfection under this Act are satisfied  
19 before the year expires.

20 Sec. 130. NEW SECTION. 554.9704 SECURITY INTEREST  
21 UNPERFECTED BEFORE EFFECTIVE DATE.

22 A security interest that is enforceable immediately before  
23 this Act takes effect but which would be subordinate to the  
24 rights of a person that becomes a lien creditor at that time:

25 1. remains an enforceable security interest for one year  
26 after this Act takes effect;

27 2. remains enforceable thereafter if the security interest  
28 becomes enforceable under section 554.9203 when this Act takes  
29 effect or within one year thereafter; and

30 3. becomes perfected:

31 a. without further action, when this Act takes effect if  
32 the applicable requirements for perfection under this Act are  
33 satisfied before or at that time; or

34 b. when the applicable requirements for perfection are  
35 satisfied if the requirements are satisfied after that time.

1     Sec. 131. NEW SECTION. 554.9705 EFFECTIVENESS OF ACTION  
2 TAKEN BEFORE EFFECTIVE DATE.

3     1. PRE-EFFECTIVE-DATE ACTION -- ONE-YEAR PERFECTION PERIOD  
4 UNLESS REPERFECTED. If action, other than the filing of a  
5 financing statement, is taken before this Act takes effect and  
6 the action would have resulted in priority of a security  
7 interest over the rights of a person that becomes a lien  
8 creditor had the security interest become enforceable before  
9 this Act takes effect, the action is effective to perfect a  
10 security interest that attaches under this Act within one year  
11 after this Act takes effect. An attached security interest  
12 becomes unperfected one year after this Act takes effect  
13 unless the security interest becomes a perfected security  
14 interest under this Act before the expiration of that period.

15     2. PRE-EFFECTIVE-DATE FILING. The filing of a financing  
16 statement before this Act takes effect is effective to perfect  
17 a security interest to the extent the filing would satisfy the  
18 applicable requirements for perfection under this Act.

19     3. PRE-EFFECTIVE-DATE FILING IN JURISDICTION FORMERLY  
20 GOVERNING PERFECTION. This Act does not render ineffective an  
21 effective financing statement that, before this Act takes  
22 effect, is filed and satisfies the applicable requirements for  
23 perfection under the law of the jurisdiction governing  
24 perfection as provided in former section 554.9103. However,  
25 except as otherwise provided in subsections 4 and 5 and  
26 section 554.9706, the financing statement ceases to be  
27 effective at the earlier of:

28     a. the time the financing statement would have ceased to  
29 be effective under the law of the jurisdiction in which it is  
30 filed; or

31     b. June 30, 2006.

32     4. CONTINUATION STATEMENT. The filing of a continuation  
33 statement after this Act takes effect does not continue the  
34 effectiveness of the financing statement filed before this Act  
35 takes effect. However, upon the timely filing of a

1 continuation statement after this Act takes effect and in  
2 accordance with the law of the jurisdiction governing  
3 perfection as provided in part 3, the effectiveness of a  
4 financing statement filed in the same office in that  
5 jurisdiction before this Act takes effect continues for the  
6 period provided by the law of that jurisdiction.

7 5. APPLICATION OF SUBSECTION 3, PARAGRAPH "B", TO  
8 TRANSMITTING UTILITY FINANCING STATEMENT. Subsection 3,  
9 paragraph "b", applies to a financing statement that, before  
10 this Act takes effect, is filed against a transmitting utility  
11 and satisfies the applicable requirements for perfection under  
12 the law of the jurisdiction governing perfection as provided  
13 in former section 554.9103 only to the extent that part 3  
14 provides that the law of a jurisdiction other than the  
15 jurisdiction in which the financing statement is filed governs  
16 perfection of a security interest in collateral covered by the  
17 financing statement.

18 6. APPLICATION OF PART 5. A financing statement that  
19 includes a financing statement filed before this Act takes  
20 effect and a continuation statement filed after this Act takes  
21 effect is effective only to the extent that it satisfies the  
22 requirements of part 5 for an initial financing statement.

23 Sec. 132. NEW SECTION. 554.9706 WHEN INITIAL FINANCING  
24 STATEMENT SUFFICES TO CONTINUE EFFECTIVENESS OF FINANCING  
25 STATEMENT.

26 1. INITIAL FINANCING STATEMENT IN LIEU OF CONTINUATION  
27 STATEMENT. The filing of an initial financing statement in  
28 the office specified in section 554.9501 continues the  
29 effectiveness of a financing statement filed before this Act  
30 takes effect if:

31 a. the filing of an initial financing statement in that  
32 office would be effective to perfect a security interest under  
33 this Act;

34 b. the pre-effective-date financing statement was filed in  
35 an office in another state or another office in this state;

1 and

2 c. the initial financing statement satisfies subsection 3.

3 2. PERIOD OF CONTINUED EFFECTIVENESS. The filing of an  
4 initial financing statement under subsection 1 continues the  
5 effectiveness of the pre-effective-date financing statement:

6 a. if the initial financing statement is filed before this  
7 Act takes effect, for the period provided in former section  
8 554.9403 with respect to a financing statement; and

9 b. if the initial financing statement is filed after this  
10 Act takes effect, for the period provided in section 554.9515  
11 with respect to an initial financing statement.

12 3. REQUIREMENTS FOR INITIAL FINANCING STATEMENT UNDER  
13 SUBSECTION 1. To be effective for purposes of subsection 1,  
14 an initial financing statement must:

15 a. satisfy the requirements of part 5 for an initial  
16 financing statement;

17 b. identify the pre-effective-date financing statement by  
18 indicating the office in which the financing statement was  
19 filed and providing the dates of filing and file numbers, if  
20 any, of the financing statement and of the most recent  
21 continuation statement filed with respect to the financing  
22 statement; and

23 c. indicate that the pre-effective-date financing  
24 statement remains effective.

25 Sec. 133. NEW SECTION. 554.9707 PERSONS ENTITLED TO FILE  
26 INITIAL FINANCING STATEMENT OR CONTINUATION STATEMENT.

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

29 1. the secured party of record authorizes the filing; and

30 2. the filing is necessary under this part:

31 a. to continue the effectiveness of a financing statement  
32 filed before this Act takes effect; or

33 b. to perfect or continue the perfection of a security  
34 interest.

35 Sec. 134. NEW SECTION. 554.9708 PRIORITY.

1 1. LAW GOVERNING PRIORITY. This Act determines the  
2 priority of conflicting claims to collateral. However, if the  
3 relative priorities of the claims were established before this  
4 Act takes effect, former Article 9 determines priority.

5 2. PRIORITY IF SECURITY INTEREST BECOMES ENFORCEABLE UNDER  
6 SECTION 554.9203. For purposes of section 554.9322,  
7 subsection 1, the priority of a security interest that becomes  
8 enforceable under section 554.9203 of this Act dates from the  
9 time this Act takes effect if the security interest is  
10 perfected under this Act by the filing of a financing  
11 statement before this Act takes effect which would not have  
12 been effective to perfect the security interest under former  
13 Article 9. This subsection does not apply to conflicting  
14 security interests each of which is perfected by the filing of  
15 such a financing statement.

16 Sec. 135. NEW SECTION. 554.9709 "FORMER" DEFINED.

17 References in this part to "former Article 9" or a former  
18 section are to that Article or section as in effect  
19 immediately before this Act takes effect.

20 DIVISION II

21 CONFORMING AMENDMENTS TO CODE CHAPTER 554

22 Sec. 136. Section 554.1105, subsection 2, Code 1999, is  
23 amended to read as follows:

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

29 Rights of creditors against sold goods. Section 554.2402.

30 Applicability of the Article on Bank Deposits and  
31 Collections. Section 554.4102.

32 Letters of Credit. Section 554.5116.

33 Applicability of the Article on Investment Securities.

34 Section 554.8110.

35 ~~Perfection-provisions-of-the-Article-on-Secured~~

1 Transactions---Section-554.9103-

2 Law governing perfection, the effect of perfection or  
3 nonperfection, and the priority of security interests and  
4 agricultural liens. Sections 554.9301, 554.9302, 554.9303,  
5 554.9304, 554.9305, 554.9306, and 554.9307.

6 Governing law in the Article on Funds Transfers. Section  
7 554.12507.

8 Applicability of the Article on Leases. Sections 554.13105  
9 and 554.13106.

10 Sec. 137. Section 554.1201, subsections 9 and 32, Code  
11 1999, are amended to read as follows:

12 9. "Buyer in ordinary course of business" means a person  
13 who that buys goods in good faith, and without knowledge that  
14 the sale to-that-person-is-in-violation-of violates the  
15 ownership rights or-security-interest of a-third-party another  
16 person in the goods buys, and in the ordinary course from a  
17 person, other than a pawnbroker, in the business of selling  
18 goods of that kind but-does-not-include-a-pawnbroker. All  
19 persons-who-sell-minerals-or-the-like-(including-oil-and-gas)  
20 at-wellhead-or-minehead-shall-be-deemed-to-be-persons A person  
21 buys goods in the ordinary course if the sale to the person  
22 comports with the usual or customary practices in the kind of  
23 business in which the seller is engaged or with the seller's  
24 own usual or customary practices. A person that sells oil,  
25 gas, or other minerals at the wellhead or minehead is a person  
26 in the business of selling goods of that kind. "Buying" A  
27 buyer in ordinary course of business may be buy for cash, or  
28 by exchange of other property, or on secured or unsecured  
29 credit, and includes-receiving may acquire goods or documents  
30 of title under a pre-existing contract for sale but-does-not  
31 include-a-transfer-in-bulk-or-as-security-for-or-in-total-or  
32 partial-satisfaction-of-a-money-debt. Only a buyer that takes  
33 possession of the goods or has a right to recover the goods  
34 from the seller under article 2 may be a buyer in ordinary  
35 course of business. A person that acquires goods in a



1 transfer in bulk or as security for or in total or partial  
2 satisfaction of a money debt is not a buyer in ordinary course  
3 of business.

4 32. "Purchase" means any voluntary transaction creating an  
5 interest in property, including taking by sale, discount,  
6 negotiation, mortgage, pledge, voluntary lien, security  
7 interest, issue, reissue, or gift.

8 Sec. 138. Section 554.1201, subsection 37, paragraph a,  
9 Code 1999, is amended to read as follows:

10 a. "Security interest" means an interest in personal  
11 property or fixtures which secures payment or performance of  
12 an obligation. ~~The retention or reservation of title by a~~  
13 ~~seller of goods notwithstanding shipment or delivery to the~~  
14 ~~buyer (section 554.2401) is limited in effect to a reservation~~  
15 ~~of a "security interest".~~ The term also includes any interest  
16 of a consignor and a buyer of accounts, or chattel paper  
17 which, a payment intangible, or a promissory note in a  
18 transaction that is subject to Article 9. The special  
19 property interest of a buyer of goods on identification of  
20 those goods to a contract for sale under section 554.2401 is  
21 not a "security interest", but a buyer may also acquire a  
22 "security interest" by complying with Article 9. ~~Unless a~~  
23 ~~consignment is intended as security, reservation of title~~  
24 ~~thereunder is not a "security interest", but a consignment in~~  
25 ~~any event is subject to the provisions on consignment sales~~  
26 ~~(section 554.2326).~~ Except as otherwise provided in section  
27 554.2505, the right of a seller or lessor of goods under  
28 Article 2 or 13 to retain or acquire possession of the goods  
29 is not a "security interest", but a seller or lessor may also  
30 acquire a "security interest" by complying with Article 9.  
31 The retention or reservation of title by a seller of goods  
32 notwithstanding shipment or delivery to the buyer (section  
33 554.2401) is limited in effect to a reservation of a "security  
34 interest".

35 Sec. 139. Section 554.2103, subsection 3, Code 1999, is

1 amended to read as follows:

2 3. The following definitions in other Articles apply to  
3 this Article:

4	"Check"	Section 554.3104
5	"Consignee"	Section 554.7102
6	"Consignor"	Section 554.7102
7	"Consumer goods"	<del>Section 554.9109</del>
8		<u>Section 554.9102</u>
9	"Dishonor"	Section 554.3502
10	"Draft"	Section 554.3104

11 Sec. 140. Section 554.2210, subsection 2, Code 1999, is  
12 amended to read as follows:

13 2. ~~Unless~~ Except as otherwise provided in section  
14 554.9406, unless otherwise agreed all rights of either seller  
15 or buyer can be assigned except where the assignment would  
16 materially change the duty of the other party, or increase  
17 materially the burden of risk imposed on the other party by  
18 the contract, or impair materially the other party's chance of  
19 obtaining return performance. A right to damages for breach  
20 of the whole contract or a right arising out of the assignor's  
21 due performance of the assignor's entire obligation can be  
22 assigned despite agreement otherwise.

23 Sec. 141. Section 554.2210, Code 1999, is amended by  
24 adding the following new subsection, and renumbering  
25 subsequent subsections:

26 NEW SUBSECTION. 3. The creation, attachment, perfection,  
27 or enforcement of a security interest in the seller's interest  
28 under a contract is not a transfer that materially changes the  
29 duty of or increases materially the burden or risk imposed on  
30 the buyer or impairs materially the buyer's chance of  
31 obtaining return performance within the purview of subsection  
32 2 unless, and then only to the extent that, enforcement  
33 actually results in a delegation of material performance of  
34 the seller. Even in that event, the creation, attachment,  
35 perfection, and enforcement of the security interest remain

1 effective, but (i) the seller is liable to the buyer for  
2 damages caused by the delegation to the extent that the  
3 damages could not reasonably be prevented by the buyer, and  
4 (ii) a court having jurisdiction may grant other appropriate  
5 relief, including cancellation of the contract for sale or an  
6 injunction against enforcement of the security interest or  
7 consummation of the enforcement.

8 Sec. 142. Section 554.2326, Code 1999, is amended to read  
9 as follows:

10 554.2326 SALE ON APPROVAL AND SALE OR RETURN --

11 ~~CONSIGNMENT-SALES-AND RIGHTS OF CREDITORS.~~

12 1. Unless otherwise agreed, if delivered goods may be  
13 returned by the buyer even though they conform to the  
14 contract, the transaction is

15 a. a "sale on approval" if the goods are delivered  
16 primarily for use, and

17 b. a "sale or return" if the goods are delivered primarily  
18 for resale.

19 2. ~~Except-as-provided-in-subsection-3, goods~~ Goods held on  
20 approval are not subject to the claims of the buyer's  
21 creditors until acceptance; goods held on sale or return are  
22 subject to such claims while in the buyer's possession.

23 ~~3.--Where-goods-are-delivered-to-a-person-for-sale-and-such~~  
24 ~~person-maintains-a-place-of-business-at-which-that-person~~  
25 ~~deals-in-goods-of-the-kind-involved, under-a-name-other-than~~  
26 ~~the-name-of-the-person-making-delivery, then-with-respect-to~~  
27 ~~claims-of-creditors-of-the-person-conducting-the-business-the~~  
28 ~~goods-are-deemed-to-be-on-sale-or-return.--The-provisions-of~~  
29 ~~this-subsection-are-applicable-even-though-an-agreement~~  
30 ~~purports-to-reserve-title-to-the-person-making-delivery-until~~  
31 ~~payment-or-resale-or-uses-such-words-as-"on-consignment"-or~~  
32 ~~"on-memorandum".--However, this-subsection-is-not-applicable~~  
33 ~~if-the-person-making-delivery~~

34 a.--complies-with-an-applicable-law-providing-for-a  
35 consignor's-interest-or-the-like-to-be-evidenced-by-a-sign, or

1 ~~b. establishes that the person conducting the business is~~  
2 ~~generally known by creditors of the person conducting the~~  
3 ~~business to be substantially engaged in selling the goods of~~  
4 ~~others, or~~

5 ~~c. complies with the filing provisions of the Article on~~  
6 ~~Secured Transactions (Article 9).~~

7 ~~4. 3.~~ Any "or return" term of a contract for sale is to be  
8 treated as a separate contract for sale within the statute of  
9 frauds section of this Article (section 554.2201) and as  
10 contradicting the sale aspect of the contract within the  
11 provisions of this Article on parol or extrinsic evidence  
12 (section 554.2202).

13 Sec. 143. Section 554.2502, Code 1999, is amended to read  
14 as follows:

15 554.2502 BUYER'S RIGHT TO GOODS ON SELLER'S REPUDIATION,  
16 FAILURE TO DELIVER, OR INSOLVENCY.

17 1. Subject to ~~subsection~~ subsections 2 and 3 and even  
18 though the goods have not been shipped a buyer who has paid a  
19 part or all of the price of goods in which the buyer has a  
20 special property under the provisions of the immediately  
21 preceding section may on making and keeping good a tender of  
22 any unpaid portion of their price recover them from the seller  
23 if:

24 a. in the case of goods bought for personal, family, or  
25 household purposes, the seller repudiates or fails to deliver  
26 as required by the contract; or

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

29 2. The buyer's right to recover the goods under subsection  
30 1, paragraph "a", vests upon acquisition of a special  
31 property, even if the seller had not then repudiated or failed  
32 to deliver.

33 ~~2. 3.~~ If the identification creating the buyer's special  
34 property has been made by the buyer, the buyer acquires the  
35 right to recover the goods only if they conform to the

1 contract for sale.

2 Sec. 144. Section 554.2716, subsection 3, Code 1999, is  
3 amended to read as follows:

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

14 Sec. 145. Section 554.4210, subsection 3, paragraph a,  
15 Code 1999, is amended to read as follows:

16 a. no security agreement is necessary to make the security  
17 interest enforceable (section 554.9203, subsection  $\pm$  2,  
18 paragraph "a" "c", subparagraph (1));

19 Sec. 146. NEW SECTION. 554.5118 SECURITY INTEREST OF  
20 ISSUER OR NOMINATED PERSON.

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

25 2. So long as and to the extent that an issuer or  
26 nominated person has not been reimbursed or has not otherwise  
27 recovered the value given with respect to a security interest  
28 in a document under subsection 1, the security interest  
29 continues and is subject to Article 9, but:

30 a. a security agreement is not necessary to make the  
31 security interest enforceable under section 554.9203,  
32 subsection 2, paragraph "c";

33 b. if the document is presented in a medium other than a  
34 written or other tangible medium, the security interest is  
35 perfected; and

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

7 Sec. 147. Section 554.7503, subsection 1, paragraph a,  
8 Code 1999, is amended to read as follows:

9 a. delivered or entrusted them or any document of title  
10 covering them to the bailor or the bailor's nominee with  
11 actual or apparent authority to ship, store or sell or with  
12 power to obtain delivery under this Article (section 554.7403)  
13 or with power of disposition under this chapter (sections  
14 554.2403 and ~~554.9307~~ 554.9320) or other statute or rule of  
15 law; nor

16 Sec. 148. Section 554.8103, subsection 6, Code 1999, is  
17 amended to read as follows:

18 6. A commodity contract, as defined in section ~~554.9115~~  
19 554.9102, subsection 1, paragraph "o", is not a security or a  
20 financial asset.

21 Sec. 149. Section 554.8106, subsections 4 and 6, Code  
22 1999, are amended to read as follows:

23 4. A purchaser has "control" of a security entitlement if:

24 a. the purchaser becomes the entitlement holder; or  
25 b. the securities intermediary has agreed that it will  
26 comply with entitlement orders originated by the purchaser  
27 without further consent by the entitlement holder; or

28 c. another person has control of the security entitlement  
29 on behalf of the purchaser or, having previously acquired  
30 control of the security entitlement, acknowledges that it has  
31 control on behalf of the purchaser.

32 6. A purchaser who has satisfied the requirements of  
33 subsection ~~37-paragraph-"b"~~, or subsection 4, paragraph "~~b~~",  
34 has control, even if the registered owner in the case of  
35 subsection 3, paragraph "b", or the entitlement holder in the

1 case of subsection 4, paragraph-"b", retains the right to make  
2 substitutions for the uncertificated security or security  
3 entitlement, to originate instructions or entitlement orders  
4 to the issuer or securities intermediary, or otherwise to deal  
5 with the uncertificated security or security entitlement.

6 Sec. 150. Section 554.8110, subsection 5, paragraphs a  
7 through d, Code 1999, are amended to read as follows:

8 a. if an agreement between the securities intermediary and  
9 its entitlement holder ~~specifies that it is governed by the~~  
10 law of a particular jurisdiction governing the securities  
11 account expressly provides that a particular jurisdiction is  
12 the securities intermediary's jurisdiction for purposes of  
13 this part, this Article, or this [Act], that jurisdiction is  
14 the securities intermediary's jurisdiction.

15 b. if paragraph "a" does not apply and an agreement  
16 between the securities intermediary and its entitlement holder  
17 governing the securities account expressly provides that the  
18 agreement is governed by the law of a particular jurisdiction,  
19 that jurisdiction is the securities intermediary's  
20 jurisdiction.

21 c. if neither paragraph "a" nor paragraph "b" applies and  
22 an agreement between the securities intermediary and its  
23 entitlement holder does not specify the governing law as  
24 provided in paragraph "a", but governing the securities  
25 account expressly specifies provides that the securities  
26 account is maintained at an office in a particular  
27 jurisdiction, that jurisdiction is the securities  
28 intermediary's jurisdiction.

29 c. d. ~~if an agreement between the securities intermediary~~  
30 ~~and its entitlement holder does not specify a jurisdiction as~~  
31 ~~provided in paragraph "a" or "b"~~ none of the preceding  
32 paragraphs applies, the securities intermediary's jurisdiction  
33 is the jurisdiction in which ~~is located~~ the office identified  
34 in an account statement as the office serving the entitlement  
35 holder's account is located.

1 ~~d. e.~~ if ~~an agreement between the securities intermediary~~  
2 ~~and its entitlement holder does not specify a jurisdiction as~~  
3 ~~provided in paragraph "a" or "b" and an account statement does~~  
4 ~~not identify an office serving the entitlement holder's~~  
5 ~~account as provided in paragraph "c"~~ none of the preceding  
6 paragraphs applies, the securities intermediary's jurisdiction  
7 is the jurisdiction in which ~~is located~~ the chief executive  
8 office of the securities intermediary is located.

9 Sec. 151. Section 554.8301, subsection 1, paragraph c,  
10 Code 1999, is amended to read as follows:

11 c. a securities intermediary acting on behalf of the  
12 purchaser acquires possession of the security certificate,  
13 only if the certificate is in registered form and has been is  
14 (i) registered in the name of the purchaser, (ii) payable to  
15 the order of the purchaser, or (iii) specially indorsed to the  
16 purchaser by an effective indorsement and has not been  
17 indorsed to the securities intermediary or in blank.

18 Sec. 152. Section 554.8302, subsection 1, Code 1999, is  
19 amended to read as follows:

20 1. Except as otherwise provided in subsections 2 and 3,  
21 upon delivery a purchaser of a certificated or uncertificated  
22 security ~~to a purchaser, the purchaser~~ acquires all rights in  
23 the security that the transferor had or had power to transfer.

24 Sec. 153. Section 554.8510, Code 1999, is amended to read  
25 as follows:

26 554.8510 RIGHTS OF PURCHASER OF SECURITY ENTITLEMENT FROM  
27 ENTITLEMENT HOLDER.

28 1. An In a case not covered by the priority rules in  
29 Article 9 or the rules stated in subsection 3, an action based  
30 on an adverse claim to a financial asset or security  
31 entitlement, whether framed in conversion, replevin,  
32 constructive trust, equitable lien, or other theory, may not  
33 be asserted against a person who purchases a security  
34 entitlement, or an interest therein, from an entitlement  
35 holder if the purchaser gives value, does not have notice of



1 the adverse claim, and obtains control.

2 2. If an adverse claim could not have been asserted  
3 against an entitlement holder under section 554.8502, the  
4 adverse claim cannot be asserted against a person who  
5 purchases a security entitlement, or an interest therein, from  
6 the entitlement holder.

7 3. In a case not covered by the priority rules in Article  
8 9, a purchaser for value of a security entitlement, or an  
9 interest therein, who obtains control has priority over a  
10 purchaser of a security entitlement, or an interest therein,  
11 who does not obtain control. Purchasers Except as otherwise  
12 provided in subsection 4, purchasers who have control rank  
13 equally, -except-that-a according to priority in time of:

14 a. the purchaser's becoming the person for whom the  
15 securities account, in which the security entitlement is  
16 carried, is maintained, if the purchaser obtained control  
17 under section 554.8106, subsection 4, paragraph "a";

18 b. the securities intermediary's agreement to comply with  
19 the purchaser's entitlement orders with respect to security  
20 entitlements carried or to be carried in the securities  
21 account in which the security entitlement is carried, if the  
22 purchaser obtained control under section 554.8106, subsection  
23 4, paragraph "b";

24 c. if the purchaser obtained control through another  
25 person under section 554.8106, subsection 4, paragraph "c",  
26 the time on which priority would be based under this  
27 subsection if the other person were the secured party; or

28 4. A securities intermediary as purchaser has priority  
29 over a conflicting purchaser who has control unless otherwise  
30 agreed by the securities intermediary.

31 Sec. 154. Section 554.11108, Code 1999, is amended to read  
32 as follows:

33 554.11108 PRESUMPTION THAT RULE OF LAW CONTINUES  
34 UNCHANGED.

35 Unless a change in law has clearly been made, the

1 provisions of this chapter as amended shall be deemed  
 2 declaratory of the meaning of this chapter prior to amendment.  
 3 ~~The first sentence of section 554.9402, subsection 7, shall be~~  
 4 ~~deemed to be a change in law.~~

5 Sec. 155. Section 554.13103, subsection 3, Code 1999, is  
 6 amended to read as follows:

7 3. The following definitions in other Articles apply to  
 8 this Article:

9	"Account"	Section <del>554.9106</del> <u>554.9102,</u>
10		<u>subsection 1, paragraph "b"</u>
11	"Between merchants"	Section 554.2104,
12		subsection 3
13	"Buyer"	Section 554.2103,
14		subsection 1, paragraph "a"
15	"Chattel paper"	Section <del>554.9105</del> <u>554.9102,</u>
16		subsection 1, paragraph <del>"b"</del> <u>"k"</u>
17	"Consumer goods"	Section <del>554.9109</del> <u>554.9102,</u>
18		subsection 1, <u>paragraph "w"</u>
19	"Document"	Section <del>554.9105</del> <u>554.9102,</u>
20		subsection 1, paragraph <del>"f"</del> <u>"ad"</u>
21	"Entrusting"	Section 554.2403,
22		subsection 3
23	<del>"General intangibles"</del>	<del>Section 554.9106</del>
24	<u>"General intangible"</u>	Section 554.9102,
25		<u>subsection 1, paragraph "ap"</u>
26	"Good faith"	Section 554.2103,
27		subsection 1, paragraph "b"
28	"Instrument"	Section <del>554.9105</del> <u>554.9102,</u>
29		subsection 1, paragraph <del>"i"</del> <u>"au"</u>
30	"Merchant"	Section 554.2104,
31		subsection 1
32	"Mortgage"	Section <del>554.9105</del> <u>554.9102,</u>
33		subsection 1, <del>paragraph "j"</del> <u>"bc"</u>
34	"Pursuant to commitment"	Section <del>554.9105</del> <u>554.9102,</u>
35		subsection 1, paragraph <del>"k"</del> <u>"bq"</u>

1 "Receipt" Section 554.2103,  
2 subsection 1, paragraph "c"  
3 "Sale" Section 554.2106,  
4 subsection 1  
5 "Sale on approval" Section 554.2326  
6 "Sale or return" Section 554.2326  
7 "Seller" Section 554.2103,  
8 subsection 1, paragraph "d"

9 Sec. 156. Section 554.13303, subsections 1 through 5, Code  
10 1999, are amended to read as follows:

11 1. As used in this section, "creation of a security  
12 interest" includes the sale of a lease contract that is  
13 subject to Article 9, Secured Transactions, by reason of  
14 section ~~554.9102~~ 554.9109, subsection 1, paragraph "b" "c".

15 2. Except as provided in ~~subsections~~ subsection 3 and 4  
16 and section 554.9407, a provision in a lease agreement which  
17 (i) prohibits the voluntary or involuntary transfer, including  
18 a transfer by sale, sublease, creation or enforcement of a  
19 security interest, or attachment, levy, or other judicial  
20 process, of an interest of a party under the lease contract or  
21 of the lessor's residual interest in the goods, or (ii) makes  
22 such a transfer an event of default, gives rise to the rights  
23 and remedies provided in subsection 5 4, but a transfer that  
24 is prohibited or is an event of default under the lease  
25 agreement is otherwise effective.

26 ~~3.--A-provision-in-a-lease-agreement-which-(i)-prohibits~~  
27 ~~the-creation-or-enforcement-of-a-security-interest-in-an~~  
28 ~~interest-of-a-party-under-the-lease-contract-or-in-the~~  
29 ~~lessor's-residual-interest-in-the-goods,-or-(ii)-makes-such-a~~  
30 ~~transfer-an-event-of-default,-is-not-enforceable-unless,-and~~  
31 ~~then-only-to-the-extent-that,-there-is-an-actual-transfer-by~~  
32 ~~the-lessee-of-the-lessee's-right-of-possession-or-use-of-the~~  
33 ~~goods-in-violation-of-the-provision-or-an-actual-delegation-of~~  
34 ~~a-material-performance-of-either-party-to-the-lease-contract~~  
35 ~~in-violation-of-the-provision:--Neither-the-granting-nor-the~~

1 enforcement-of-a-security-interest-in-(i)-the-lessor's  
2 interest-under-the-lease-contract-or-(ii)-the-lessor's  
3 residual-interest-in-the-goods-is-a-transfer-that-materially  
4 impairs-the-prospect-of-obtaining-return-performance-by,  
5 materially-changes-the-duty-of,-or-materially-increases-the  
6 burden-or-risk-imposed-on,-the-lessee-within-the-purview-of  
7 subsection-5-unless,-and-then-only-to-the-extent-that,-there  
8 is-an-actual-delegation-of-a-material-performance-of-the  
9 lessor.

10 4. 3. A provision in a lease agreement which (i) prohibits  
11 a transfer of a right to damages for default with respect to  
12 the whole lease contract or of a right to payment arising out  
13 of the transferor's due performance of the transferor's entire  
14 obligation, or (ii) makes such a transfer an event of default,  
15 is not enforceable, and such a transfer is not a transfer that  
16 materially impairs the prospect of obtaining return  
17 performance by, materially changes the duty of, or materially  
18 increases the burden or risk imposed on, the other party to  
19 the lease contract within the purview of subsection 5 4.

20 5. 4. Subject to subsections subsection 3 and 4 section  
21 554.9407:

22 a. if a transfer is made which is made an event of default  
23 under a lease agreement, the party to the lease contract not  
24 making the transfer, unless that party waives the default or  
25 otherwise agrees, has the rights and remedies described in  
26 section 554.13501, subsection 2;

27 b. if paragraph "a" is not applicable and if a transfer is  
28 made that (i) is prohibited under a lease agreement or (ii)  
29 materially impairs the prospect of obtaining return  
30 performance by, materially changes the duty of, or materially  
31 increases the burden or risk imposed on, the other party to  
32 the lease contract, unless the party not making the transfer  
33 agrees at any time to the transfer in the lease contract or  
34 otherwise, then, except as limited by contract, (i) the  
35 transferor is liable to the party not making the transfer for

1 damages caused by the transfer to the extent that the damages  
2 could not reasonably be prevented by the party not making the  
3 transfer and (ii) a court having jurisdiction may grant other  
4 appropriate relief, including cancellation of the lease  
5 contract or an injunction against the transfer.

6 Sec. 157. Section 554.13307, subsections 1 through 4, Code  
7 1999, are amended by striking the subsections and inserting in  
8 lieu thereof the following:

9 1. Except as otherwise provided in section 554.13306, a  
10 creditor of a lessee takes subject to the lease contract.

11 2. Except as otherwise provided in subsection 3 and in  
12 sections 554.13306 and 554.13308, a creditor of a lessor takes  
13 subject to the lease contract unless the creditor holds a lien  
14 that attached to the goods before the lease contract became  
15 enforceable.

16 3. Except as otherwise provided in sections 554.9317,  
17 554.9321, and 554.9323, a lessee takes a leasehold interest  
18 subject to a security interest held by a creditor of the  
19 lessor.

20 Sec. 158. Section 554.13309, subsection 1, paragraph b,  
21 Code 1999, is amended to read as follows:

22 b. a "fixture filing" is the filing, in the office where a  
23 record of a mortgage on the real estate would be filed or  
24 recorded, of a financing statement covering goods that are or  
25 are to become fixtures and conforming to the requirements of  
26 section ~~554-9402~~ 554.9502, ~~subsection-5~~ subsections 1 and 2;

27 DIVISION III

28 AMENDMENTS IN OTHER CODE CHAPTERS

29 Sec. 159. Section 15E.91, subsection 7, Code 1999, is  
30 amended to read as follows:

31 7. A copy of each pledge agreement by or to the  
32 corporation, including without limitation each bond  
33 resolution, indenture of trust, or similar agreement, or any  
34 revisions or supplements to it shall be filed with the  
35 secretary of state and no further filing or other action under

1 ~~sections-554-9101-to-554-9507~~ chapter 554, article 9 of the  
2 uniform commercial code, or any other law of the state is  
3 required to perfect the security interest in the collateral or  
4 any additions to it or substitutions for it, and the lien and  
5 trust created are binding from and after the time made against  
6 all parties having claims of any kind in tort, contract, or  
7 otherwise against the pledgor.

8 Sec. 160. Section 16.26, subsection 7, Code 1999, is  
9 amended to read as follows:

10 7. A copy of each pledge agreement by or to the authority,  
11 including without limitation each bond resolution, indenture  
12 of trust or similar agreement, or any revisions or supplements  
13 to it shall be filed with the secretary of state and no  
14 further filing or other action under ~~sections-554-9101-to~~  
15 ~~554-9507~~ chapter 554, article 9 of the uniform commercial  
16 code, or any other law of the state shall be required to  
17 perfect the security interest in the collateral or any  
18 additions to it or substitutions for it, and the lien and  
19 trust so created shall be binding from and after the time made  
20 against all parties having claims of any kind in tort,  
21 contract, or otherwise against the pledgor.

22 Sec. 161. Section 16A.9, subsection 7, Code 1999, is  
23 amended to read as follows:

24 7. A copy of each pledge agreement by or to the authority,  
25 including without limitation each obligation resolution,  
26 indenture of trust or similar agreement, or any revisions or  
27 supplements to it shall be filed with the secretary of state  
28 and no further filing or other action under ~~sections-554-9101~~  
29 ~~to-554-9507~~ chapter 554, article 9 of the uniform commercial  
30 code, or any other law of the state shall be required to  
31 perfect the security interest in the collateral or any  
32 additions to it or substitutions for it, and the lien and  
33 trust so created shall be binding from and after the time made  
34 against all parties having claims of any kind in tort,  
35 contract, or otherwise against the pledgor.

1     Sec. 162. Section 203.12A, subsections 2, 7, and 9, Code  
2 1999, are amended to read as follows:

3     2. "Grain dealer assets" includes proceeds received or due  
4 a grain dealer upon the sale, including exchange, collection,  
5 or other disposition, of grain sold by the grain dealer. As  
6 used in this section, "proceeds" means noncash and cash  
7 proceeds as provided defined in section ~~554-9306~~ 554.9102.  
8 "Grain dealer assets" also includes any other funds or  
9 property of the grain dealer which can be directly traced as  
10 being from the sale of grain by the grain dealer, or which  
11 were utilized in the business operation of the grain dealer.  
12 A court, upon petition by an affected party, may order that  
13 claimed grain dealer assets are not grain dealer assets as  
14 defined in this section. The burden of proof shall be upon  
15 the petitioner to establish that the assets are not grain  
16 dealer assets as defined in this section.

17     7. A lien statement filed under this section shall be a  
18 security interest perfected under chapter 554 and subject to  
19 the same priority as provided under section ~~554-9312~~ 554.9322.

20     9. The board may enforce the lien in the manner provided  
21 in chapter 554, article 9, part 5 6, for the enforcement of  
22 security interests. If, upon enforcement of the lien, the  
23 lien amount is satisfied in full without exhaustion of the  
24 grain dealer assets, the remaining assets shall be returned to  
25 the grain dealer or, if there are competing claims to those  
26 remaining assets by other creditors, shall place those assets  
27 in the custody of the district court and implead the known  
28 creditors.

29     For purposes of enforcement of the lien, the board is  
30 deemed to be the secured party and the grain dealer is deemed  
31 to be the debtor, and each has the respective rights and  
32 duties of a secured party and a debtor as provided in chapter  
33 554, article 9, part 5 6. If a right or duty under chapter  
34 554, article 9, part 5 6, is contingent upon the existence of  
35 express language in a security agreement, or may be waived by

1 express language in a security agreement, the requisite  
2 language is deemed not to exist for purposes of enforcement of  
3 the lien created by this section.

4 Sec. 163. Section 203C.12A, subsections 2, 7, and 9, Code  
5 1999, are amended to read as follows:

6 2. "Warehouse operator assets" includes proceeds received  
7 or due a warehouse operator upon the sale, including exchange,  
8 collection, or other disposition, of grain sold by the  
9 warehouse operator. As used in this section, "proceeds" means  
10 noncash and cash proceeds as provided defined in section  
11 554-9306 554.9102. "Warehouse operator assets" also includes  
12 storage payments received or due to a warehouse operator,  
13 grain owned by the warehouse operator, and any other funds or  
14 property of the warehouse operator which can be directly  
15 traced as being from the sale of grain by the warehouse  
16 operator, or which were utilized in the business operation of  
17 the warehouse operator. A court, upon petition by an affected  
18 party, may order that claimed warehouse operator assets are  
19 not warehouse operator assets as defined in this section. The  
20 burden of proof shall be upon the petitioner to establish that  
21 the assets are not warehouse operator assets as defined in  
22 this section.

23 7. A lien statement filed under this section shall be a  
24 security interest perfected under chapter 554 and subject to  
25 the same priority as provided under section 554-9312 554.9322.

26 9. The Iowa grain indemnity fund board may enforce the  
27 lien in the manner provided in chapter 554, article 9, part 5  
28 6, for the enforcement of security interests. If, upon  
29 enforcement of the lien, the lien amount is satisfied in full  
30 without exhaustion of the warehouse operator assets, the  
31 remaining assets shall be returned to the warehouse operator  
32 or, if there are competing claims to those remaining assets by  
33 other creditors, those assets shall be placed in the custody  
34 of the district court and the known creditors impleaded.

35 For purposes of enforcement of the lien, the board is



1 deemed to be the secured party and the warehouse operator is  
2 deemed to be the debtor, and each has the respective rights  
3 and duties of a secured party and a debtor as provided in  
4 chapter 554, article 9, part 5 6. If a right or duty under  
5 chapter 554, article 9, part 5 6, is contingent upon the  
6 existence of express language in a security agreement, or may  
7 be waived by express language in a security agreement, the  
8 requisite language is deemed not to exist for purposes of  
9 enforcement of the lien created by this section.

10 Sec. 164. Section 321.47, unnumbered paragraph 2, Code  
11 Supplement 1999, is amended to read as follows:

12 The persons entitled under the laws of descent and  
13 distribution of an intestate's property to the possession and  
14 ownership of a vehicle owned in whole or in part by a  
15 decedent, upon filing an affidavit stating the name and date  
16 of death of the decedent, the right to possession and  
17 ownership of the persons filing the affidavit, and that there  
18 has been no administration of the decedent's estate, which  
19 instrument shall also contain an agreement to indemnify  
20 creditors of the decedent who would be entitled to levy  
21 execution upon the motor vehicle to the extent of the value of  
22 the motor vehicle, are entitled upon fulfilling the other  
23 requirements of this chapter, to the issuance of a  
24 registration card for the interest of the decedent in the  
25 vehicle and a certificate of title to it. If a decedent dies  
26 testate, and either the will is not probated or is admitted to  
27 probate without administration, the persons entitled to the  
28 possession and ownership of a vehicle owned in whole or in  
29 part by the decedent may file an affidavit, and upon  
30 fulfilling the other requirements of this chapter, are  
31 entitled to the issuance of a registration card for the  
32 interest of the decedent in the vehicle and a certificate of  
33 title to the vehicle. The affidavit shall contain the same  
34 information and indemnity agreement as is required in cases of  
35 intestacy pursuant to this section. ~~No~~ A requirement of

1 chapter 450 or 451 shall not be considered satisfied by the  
2 filing of the affidavit provided for in this section. If,  
3 from the records in the office of the county treasurer, there  
4 appear to be any liens on the vehicle, the certificate of  
5 title shall contain a statement of the liens unless the  
6 application is accompanied by proper evidence of their  
7 satisfaction or extinction. Evidence of extinction may  
8 consist of, but is not limited to, an affidavit of the  
9 applicant stating that a security interest was foreclosed as  
10 provided in chapter 554, article 9, part 5 6.

11 Sec. 165. Section 321.50, subsection 1, Code Supplement  
12 1999, is amended to read as follows:

13 1. A security interest in a vehicle subject to  
14 registration under the laws of this state or a mobile home or  
15 manufactured housing, except trailers whose empty weight is  
16 two thousand pounds or less, and except new or used vehicles  
17 held by a dealer or manufacturer as inventory for sale, is  
18 perfected by the delivery to the county treasurer of the  
19 county where the certificate of title was issued or, in the  
20 case of a new certificate, to the county treasurer where the  
21 certificate will be issued, of an application for certificate  
22 of title which lists the security interest, or an application  
23 for notation of security interest signed by the owner, or by  
24 one owner of a vehicle owned jointly by more than one person,  
25 or a certificate of title from another jurisdiction which  
26 shows the security interest, and a fee of five dollars for  
27 each security interest shown. If the owner or secured party  
28 is in possession of the certificate of title, it must also be  
29 delivered at this time in order to perfect the security  
30 interest. If a vehicle is subject to a security interest when  
31 brought into this state, the validity of the security interest  
32 and the date of perfection is determined by section 554-9103  
33 554.9303. Delivery as provided in this subsection is an  
34 indication of a security interest on a certificate of title  
35 for purposes of chapter 554.

1     Sec. 166. Section 322.21, Code Supplement 1999, is amended  
2 to read as follows:

3     322.21   REMAINING BALANCE ON TRADE VEHICLE.

4     The extension of credit by a retail seller to a retail  
5 buyer, pursuant to a retail installment contract, of the  
6 amount actually paid or to be paid by the retail seller to  
7 discharge a purchase money security interest, as defined  
8 provided in section 554-9107 554.9103, on a motor vehicle  
9 traded in by the retail buyer shall not subject the retail  
10 seller to the provisions of chapter 536 or 536A.

11    Sec. 167. Section 331.602, subsection 28, Code Supplement  
12 1999, is amended to read as follows:

13    28. Carry out duties relating to the filing of financing  
14 statements or instruments as provided in ~~sections-554-9401-to~~  
15 ~~554-9400~~ chapter 554, article 9, part 5.

16    Sec. 168. Section 331.609, subsection 3, paragraph a,  
17 subparagraph (1), Code 1999, is amended to read as follows:

18    (1) If the filing officer is the secretary of state, the  
19 secretary shall cause the notice to be marked, held, and  
20 indexed in accordance with section ~~554-9403, -subsection-4~~  
21 554.9519, as if the notice were a financing statement ~~within~~  
22 ~~the-meaning-of-that-section~~ as provided in chapter 554,  
23 article 9, part 5.

24    Sec. 169. Section 461A.6, Code 1999, is amended to read as  
25 follows:

26    461A.6   COSTS -- LIEN.

27    The cost of such removal shall be paid by the owner of said  
28 pier, wharf, sluice, piling, wall, fence, obstruction,  
29 erection or building, and the state shall have a lien upon the  
30 property removed for such costs. Said costs shall be payable  
31 at the time of removal and such lien may be enforced and  
32 foreclosed, as provided for the foreclosure of security  
33 interests in Uniform Commercial Code, chapter 554, article 9,  
34 part 5 6.

35    Sec. 170. Section 537.5103, subsections 2 and 3, Code

1 1999, are amended to read as follows:

2     2. If the seller repossesses or voluntarily accepts  
3 surrender either of goods which were the subject of the sale  
4 and in which the seller has a security interest, or of goods  
5 which were not the subject of the sale but in which the seller  
6 has a security interest to secure a debt arising from a sale  
7 of goods or services or a combined sale of goods and services,  
8 the seller's duty to dispose of the collateral is governed by  
9 the provisions on disposition of collateral in **sections**  
10 ~~554.9501 to 554.9507~~ chapter 554, article 9, part 6.

11     3. If a lender takes possession or voluntarily accepts  
12 surrender of goods in which the lender has a security interest  
13 to secure a debt arising from a consumer loan, the lender's  
14 duty to dispose of the collateral is governed by the  
15 provisions on disposition of collateral in ~~sections 554.9501~~  
16 ~~to 554.9507~~ chapter 554, article 9, part 6.

17     Sec. 171. Section 539.1, Code 1999, is amended to read as  
18 follows:

19     539.1 ASSIGNMENT OF NONNEGOTIABLE INSTRUMENTS.

20     Bonds, due bills, and all instruments by which the maker  
21 promises to pay another, without words of negotiability, a sum  
22 of money, or by which the maker promises to pay a sum of money  
23 in property or labor, or to pay or deliver any property or  
24 labor, or acknowledges any money, labor, or property to be  
25 due, are assignable by endorsement on the instrument, or by  
26 other writing. The assignee, including a person who takes  
27 assignment for collection in the regular course of business,  
28 has a right of action on them in the assignee's own name,  
29 subject to any defense or counterclaim which the maker or  
30 debtor had against an assignor of the instrument before notice  
31 of the assignment. In case of conflict between this section  
32 and **sections** section 554.5112, 554.5113, 554.5114, and  
33 ~~554.9318, sections~~ 554.9404, or 554.9405, section 554.5112,  
34 ~~554.5113, 554.5114, and 554.9318 control~~ 554.9404, or 554.9405  
35 controls.

1 Sec. 172. Section 539.2, Code 1999, is amended to read as  
2 follows:

3 539.2 ASSIGNMENT PROHIBITED BY INSTRUMENT.

4 When by the terms of an instrument its assignment is  
5 prohibited, an assignment thereof shall nevertheless be valid,  
6 but the maker may make use of any defense or counterclaim  
7 against the assignee which the maker may have against any  
8 assignor thereof before notice of such assignment is given to  
9 the maker in writing. In case of conflict between this  
10 section and ~~sections~~ section 554.5112, 554.5113, 554.5114, and  
11 ~~554.9318, sections~~ 554.9404, or 554.9405, section 554.5112,  
12 ~~554.5113, 554.5114, and 554.9318 control~~ 554.9404, or 554.9405  
13 controls.

14 Sec. 173. Section 539.3, Code 1999, is amended to read as  
15 follows:

16 539.3 ASSIGNMENT OF OPEN ACCOUNT.

17 An open account of sums of money due on contract may be  
18 assigned. The assignee, including a person who takes  
19 assignment for collection in the regular course of business,  
20 has a right of action on the account in the assignee's own  
21 name, subject to the defenses and counterclaims allowed  
22 against the instruments mentioned in section 539.2, before  
23 notice of the assignment is given to the debtor in writing by  
24 the assignee. In case of conflict Uniform Commercial Code,  
25 section ~~554.9318~~ 554.9404 or 554.9405, controls.

26 Sec. 174. Section 554B.1, Code 1999, is amended to read as  
27 follows:

28 554B.1 DEFINITIONS.

29 As used in this chapter "transmitting utility" has the same  
30 meaning as defined in the Uniform Commercial Code, section  
31 ~~554.9105, subsection 1, paragraph "n"~~ 554.9102, subsection 1.  
32 Security interests filed pursuant to this chapter prior to  
33 January 1, 1975, which have not been terminated, are deemed to  
34 be filed in accordance with section ~~554.9401~~ 554.9501,  
35 subsection 5 2.

1     Sec. 175. Section 570A.4, subsection 4, Code 1999, is  
2 amended to read as follows:

3     4. The secretary of state shall note the filing of a lien  
4 statement under this section in the manner provided by chapter  
5 554, the uniform commercial code, and shall charge a fee as  
6 provided under section ~~554-9403~~ 554.9525.

7     Sec. 176. Section 570A.6, Code 1999, is amended to read as  
8 follows:

9     570A.6 ENFORCEMENT OF LIEN.

10    The holder of a lien perfected under this chapter may  
11 enforce the lien in the manner provided ~~in~~ for agricultural  
12 liens pursuant to chapter 554, article 9, part 5 6, for the  
13 enforcement of security interests. For purposes of  
14 enforcement of the lien, the lienholder is deemed to be the  
15 secured party, and the farmer for whom the agricultural  
16 chemical, seed, feed, or petroleum product was furnished is  
17 deemed to be the debtor, and each has the respective rights  
18 and duties of a secured party and a debtor as provided in  
19 chapter 554, article 9, part 5 6. Where a right or duty under  
20 chapter 554, article 9, part 5 6, is contingent upon the  
21 existence of express language in a security agreement, or may  
22 be waived by express language in a security agreement, the  
23 requisite language is deemed not to exist for purposes of  
24 enforcement of the lien created by this chapter.

25    Sec. 177. Section 571.5, Code 1999, is amended to read as  
26 follows:

27    571.5 FORECLOSURE ENFORCEMENT OF LIEN.

28    Said A lien as provided in this chapter may be foreclosed  
29 enforced in the manner provided ~~in~~ for agricultural liens  
30 pursuant to the Uniform Commercial Code, chapter 554, Article  
31 9, Part 5 6.

32    Sec. 178. Section 579A.3, unnumbered paragraph 1, Code  
33 1999, is amended to read as follows:

34    While the cattle are located at the custom cattle feedlot,  
35 the custom cattle feedlot operator may foreclose a lien

1 created in section 579A.2 in the manner provided for the  
2 ~~foreclosure-of-secured-transactions~~ enforcement of an  
3 agricultural lien as provided in ~~sections-554-95047-554-95067~~  
4 ~~and-554-9507~~ chapter 554, article 9, part 6. After the cattle  
5 have left the custom cattle feedlot, the custom cattle feedlot  
6 operator may enforce the lien by commencing an action at law  
7 for the amount of the lien against either of the following:

8     Sec. 179. Section 579B.3, subsection 1, paragraph a,  
9 subparagraph (1), subparagraph subdivision (c), Code  
10 Supplement 1999, is amended to read as follows:

11     (c) If the livestock is slaughtered by the contractor, the  
12 lien shall be on any property of the contractor that may be  
13 subject to a security interest as provided in section ~~554-9102~~  
14 554.9109.

15     Sec. 180. Section 579B.3, subsection 1, paragraph a,  
16 subparagraph (2), subparagraph subdivision (c), Code  
17 Supplement 1999, is amended to read as follows:

18     (c) If the raw milk is processed by the contractor, the  
19 lien shall be on any property of the contractor that may be  
20 subject to a security interest as provided in section ~~554-9102~~  
21 554.9109.

22     Sec. 181. Section 579B.3, subsection 2, paragraph a,  
23 subparagraph (3), Code Supplement 1999, is amended to read as  
24 follows:

25     (3) If the crop is processed by the contractor, the lien  
26 shall be on any property of the contractor that may be subject  
27 to a security interest as provided in section ~~554-9102~~  
28 554.9109.

29     Sec. 182. Section 579B.5, Code Supplement 1999, is amended  
30 to read as follows:

31     579B.5 ENFORCEMENT.

32     Before a commodity leaves the authority of the contract  
33 producer as provided in section 579B.3, the contract producer  
34 may ~~foreclose~~ enforce a lien created in that section in the  
35 manner provided for the ~~foreclosure-of-secured-transactions~~

1 enforcement of an agricultural lien as provided in sections  
2 554.95047, 554.95067, and 554.9507 chapter 554, article 9, part  
3 6. After the commodity is no longer under the authority of  
4 the contract producer, the contract producer may enforce the  
5 lien in the manner provided in chapter 554, article 9, part 5  
6 6.

7 DIVISION IV

8 REPEALS AND EFFECTIVE DATE

9 Sec. 183. Sections 554.9101 through 554.9507, Code 2001,  
10 are repealed.

11 Sec. 184. Section 554.11105, Code 2001, is repealed.

12 Sec. 185. EFFECTIVE DATE. This Act takes effect July 1,  
13 2001.

14 EXPLANATION

15 This bill adopts revisions to Article 9 of the Uniform  
16 Commercial Code (Code chapter 554) as proposed by the national  
17 conference of commissioners on uniform state laws, including  
18 conforming amendments to a number of Articles within that  
19 chapter and other chapters providing for security interests  
20 and liens.

21 With limited exceptions, Article 9 governs the creation,  
22 priority, and enforcement of creditors' consensual liens,  
23 which are defined as security interests in personal property  
24 and fixtures.

25 The Article provides generally for the effectiveness of  
26 security agreements, the rights and duties of creditors (i.e.,  
27 secured parties), including parties having possession and  
28 control of collateral. The Article governs the attachment and  
29 enforceability of security interests or proceeds from the sale  
30 of collateral. Much of the Article provides for "perfecting"  
31 a security interest, usually accomplished by filing a  
32 financing statement. The Article provides for the contents of  
33 financing statements and the location where such financing  
34 statements must be filed (e.g., with the secretary of state).  
35 In perfecting a security interest, a debtor is generally



1 assured rights in the collateral which is superior to a  
2 security interest perfected later in time. The Article  
3 provides special rules of perfection for specific collateral  
4 such as farm products. It provides that perfection may be  
5 accomplished without filing (e.g., by possession). It also  
6 provides special rules for collateral purchased by consumers.  
7 However, a fundamental purpose of perfection is to provide  
8 notice of rights in the collateral by the person perfecting  
9 the interest. The Article also provides for who has priority  
10 in controlling the collateral or proceeds from the sale of the  
11 collateral, usually based on who first perfected a security  
12 interest. Finally, the Article provides for enforcement of  
13 security interests in case of a default, which includes the  
14 right of a secured party to dispose of collateral following  
15 notification, and the application of proceeds resulting from  
16 the disposition.

17 This bill revises Article 9 for the first time since 1972,  
18 by expanding the scope of property and transactions covered by  
19 Article 9 and changing the manner in which security interests  
20 are created, perfected, provided priority, and enforced. For  
21 example, the bill provides for electronic authentication of  
22 documents. It expands its scope to cover more property  
23 including "accounts" and "proceeds". For example, under the  
24 bill, the revised Article includes rights arising out of the  
25 license of property and the distributions on stock. The bill  
26 amends provisions governing perfection other than by filing  
27 effective financing statements. For example, it provides that  
28 possession or control may be used as a method to perfect  
29 deposit accounts, letter of credit rights, and electronic  
30 chattel paper. It also provides for the automatic perfection  
31 of a security interest. Under the bill, revised Article 9  
32 changes methods of filing financing statements, including by  
33 electronic filing. The bill provides a number of changes in  
34 which a security interest is enforced in case of default. It  
35 provides that a low price obtained at a foreclosure sale does

1 not alone make the sale commercially unreasonable as required  
2 in the Article. It provides that guarantors of an obligation  
3 are entitled to the same notice and protections as the debtor.  
4 The bill allows a secured party to retain collateral in  
5 satisfaction of a debt, regardless of whether the secured  
6 party is in possession of the collateral.

7 The bill amends a number of other Code provisions which  
8 refer to Article 9. Many Code chapters provide special liens,  
9 including liens for agricultural supply dealers (Code chapter  
10 570A), artisans (Code chapter 577), custom cattle feedlots  
11 (Code chapter 579A), contract producers of commodities (Code  
12 chapter 579B), threshers and cornshellers (Code chapter 571),  
13 and veterinarians (Code chapter 581). Some of the chapters  
14 provide that persons filing liens created under the chapter  
15 enjoy super priority. The bill provides special rules for  
16 agricultural liens which become effective under statute when a  
17 lienor files a financing statement.

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

**HOUSE FILE 2513  
FISCAL NOTE**

---

A fiscal note for House File 2513 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

---

House File 2513 adopts revisions to Article 9 of the Uniform Commercial Code. The Bill expands the scope of property and transactions currently covered and changes the manner in which security interests are created, perfected, provided priority, and enforced.

**ASSUMPTIONS**

1. The cost to change the filing system to an electronic format will be \$350,000 for the application and software expense.
2. The increased number of filings is expected to be negligible.

**FISCAL IMPACT**

House File 2513 will increase General Fund expenditures for the Secretary of State by \$350,000 in FY 2001.

**SOURCES**

Secretary of State  
Information Technology Services

(LSB 6844hv, CRS)

FILED MARCH 8, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

## HOUSE FILE 2513

H-8245

1 Amend House File 2513 as follows:

2 1. Page 3, by striking lines 31 through 33 and  
3 inserting the following: "respect to software used in  
4 the goods. The term does not include (i) charters or  
5 other contracts involving the use or hire of a vessel  
6 or (ii) records that evidence a right to payment  
7 arising out of the use of a credit or charge card or  
8 information contained on or for use with the card. If  
9 a transaction is evidenced by records that".

10 2. Page 11, line 25, by inserting after the words  
11 ""Original debtor"" the following: ", except as used  
12 in section 554.9310, subsection 3,".

13 3. Page 12, line 20, by inserting after the word  
14 ""Proceeds"" the following: ", except as used in  
15 section 554.9609, subsection 2,".

16 4. Page 46, line 34, by inserting after the word  
17 "collateral" the following: "subject to a statute  
18 specified in subsection 1, paragraph "b"".

19 5. Page 47, line 1, by striking the words "or  
20 leasing".

21 6. Page 47, line 3, by striking the words "as  
22 debtor".

23 7. Page 49, line 14, by striking the figure "4"  
24 and inserting the following: "5".

25 8. Page 55, by striking lines 28 and 29 inserting  
26 the following: "that becomes a lien creditor before  
27 the earlier of the time:

28 (1) The security interest or agricultural lien is  
29 perfected; or

30 (2) One of the conditions specified in section  
31 554.9203, subsection 2, paragraph "c" is met and a".

32 9. Page 82, line 25, by striking the word  
33 "general" and inserting the following: "payment".

34 10. Page 95, line 20, by inserting after the word  
35 "record" the following: "or pursuant to subsection 2  
36 or 3".

37 11. Page 99, line 26, by inserting after the word  
38 "effective." the following: "Except as otherwise  
39 provided in section 554.9510, for purposes of section  
40 554.9519, subsection 7, section 554.9522, subsection  
41 1, and section 554.9523, subsection 3, the filing with  
42 the filing office of a termination statement relating  
43 to a financing statement that indicates that the  
44 debtor is a transmitting utility also causes the  
45 effectiveness of the financing statement to lapse."

46 12. Page 111, by striking lines 6 through 8 and  
47 inserting the following: "services for that office.  
48 The rule must set the fees for filing and".

49 13. Page 111, by striking lines 16 through 18 and  
50 inserting the following: "authorized by the secretary

H-8245

-1-

H-8245

Page 2

1 of state's office, the record must be no more than  
2 half the amount of".

3 14. Page 119, lines 13 and 14, by striking the  
4 words "this section" and inserting the following:  
5 "section 554.9607".

6 15. Page 120, line 1, by striking the words "this  
7 section" and inserting the following: "section  
8 554.9607".

9 16. Page 124, line 9, by striking the word "sale"  
10 and inserting the following: "disposition".

11 17. Page 127, line 15, by inserting after the  
12 word "disposition" the following: "under section  
13 554.9610".

14 18. Page 128, line 12, by striking the words  
15 "this section" and inserting the following: "section  
16 554.9610".

17 19. Page 138, lines 27 and 28, by striking the  
18 words "with a request under section 554.9210".

19 20. Page 140, line 14, by inserting before the  
20 word "statement" the following: "list or".

21 21. Page 144, line 14, by striking the word and  
22 figure "and 554.9708" and inserting the following:  
23 "554.9708, and 554.9709".

24 22. Page 148, by inserting after line 24 the  
25 following:

26 "Sec. \_\_\_\_ . NEW SECTION. 554.9707 AMENDMENT OF  
27 PRE-EFFECTIVE-DATE FINANCING STATEMENT.

28 1. PRE-EFFECTIVE-DATE FINANCING STATEMENT. In  
29 this section, "pre-effective-date financing statement"  
30 means a financing statement filed before this Act  
31 takes effect.

32 2. APPLICABLE LAW. After this Act takes effect, a  
33 person may add or delete collateral covered by,  
34 continue or terminate the effectiveness of, or  
35 otherwise amend the information provided in, a pre-  
36 effective-date financing statement only in accordance  
37 with the law of the jurisdiction governing perfection  
38 as provided in part 3. However, the effectiveness of  
39 pre-effective-date financing statement also may be  
40 terminated in accordance with the law of the  
41 jurisdiction in which the financing statement is  
42 filed.

43 3. METHOD OF AMENDING -- GENERAL RULE. Except as  
44 otherwise provided in subsection 4, if the law of this  
45 state governs perfection of a security interest, the  
46 information in a pre-effective-date financing  
47 statement may be amended after this Act takes effect  
48 only if:

49 a. The pre-effective-date financing statement and  
50 an amendment are filed in the office specified in

H-8245

-2-

1 section 554.9501; or

2 b. An amendment is filed in the office specified  
3 in section 554.9501 concurrently with, or after the  
4 filing in that office of, an initial financing  
5 statement that satisfies section 554.9706, subsection  
6 3; or

7 c. An initial financing statement that provides  
8 the information as amended and satisfies section  
9 554.9706, subsection 3 is filed in the office  
10 specified in section 554.9501.

11 4. METHOD OF AMENDING -- CONTINUATION. If the law  
12 of this state governs perfection of a security  
13 interest, the effectiveness of a pre-effective-date  
14 financing statement may be continued only under  
15 section 554.9705, subsections 4 and 6 or section  
16 554.9706.

17 5. METHOD OF AMENDING -- ADDITIONAL TERMINATION  
18 RULE. Whether or not the law of this state governs  
19 perfection of a security interest, the effectiveness  
20 of a pre-effective-date financing statement filed in  
21 this state may be terminated after this Act takes  
22 effect by filing a termination statement in the office  
23 in which the pre-effective-date financing statement is  
24 filed, unless an initial financing statement that  
25 satisfies section 554.9706, subsection 3, has been  
26 filed in the office specified by the law of the  
27 jurisdiction governing perfection as provided in part  
28 3 as the office in which to file a financing  
29 statement."

30 23. Page 148, line 25, by striking the figure  
31 "554.9707" and inserting the following: "554.9708".

32 24. Page 148, line 35, by striking the figure  
33 "554.9708" and inserting the following: "554.9709".

34 25. Page 149, line 16, by striking the figure  
35 "554.9709" and inserting the following: "554.9710".

36 26. By renumbering as necessary.

By SHEY of Linn  
PARMENTER of Story

H-8245 FILED MARCH 7, 2000

*Adopted*  
*3/8/00 (p. 636)*

HOUSE FILE 2513

H-8223

1 Amend House File 2513 as follows:

2 1. Page 24, by inserting after line 27 the  
3 following:

4 "n. a transfer, other than a transfer pursuant to  
5 chapter 419, by this state or a governmental unit  
6 within this state in connection with a public-finance  
7 transaction or a transaction that would be a public-  
8 finance transaction but for failure to meet the  
9 criterion set forth in section 554.9102, subsection 1,  
10 paragraph "bo", subparagraph (2)."

By MYERS of Johnson

H-8223 FILED MARCH 7, 2000

*Adopted*  
*3/8/00*  
*(p. 626)*

S-29/00 Judiciary  
S-3/20/00 Amend/Do Pass w/ 55179  
S-3/23/00 Unfinished Business  
Calendar

HOUSE FILE 2513  
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 736)

(As Amended and Passed by the House, March 9, 2000)

Passed House, <sup>(P.1311)</sup> Date 4-6-00 Passed Senate, <sup>(P.1029)</sup> Date 4-5-00  
Vote: Ayes 96 Nays 0 Vote: Ayes 47 Nays 0  
Approved 4/26/00

A BILL FOR

1 An Act providing for secured transactions under the uniform  
2 commercial code, by adopting new Article 9, eliminating  
3 conflicting provisions, and providing an effective date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF 2513

8 House Amendments \_\_\_\_\_

10 Deleted Language \*

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

## 1 DIVISION I

## 2 ARTICLE 9 AMENDMENTS

## 3 ARTICLE 9 -- SECURED TRANSACTIONS

## 4 PART 1

## 5 GENERAL PROVISIONS

## 6 A. SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS

7 Section 1. NEW SECTION. 554.9101 SHORT TITLE.8 This Article may be cited as Uniform Commercial Code --  
9 Secured Transactions.10 Sec. 2. NEW SECTION. 554.9102 DEFINITIONS AND INDEX OF  
11 DEFINITIONS.

12 1. ARTICLE 9 DEFINITIONS. In this Article:

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



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

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

7 d. "Accounting", except as used in "accounting for", means  
8 a record:

9 (1) authenticated by a secured party;

10 (2) indicating the aggregate unpaid secured obligations as  
11 of a date not more than thirty-five days earlier or thirty-  
12 five days later than the date of the record; and

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

15 e. "Agricultural lien" means an interest, other than a  
16 security interest, in farm products:

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

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

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

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

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

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

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

31 f. "As-extracted collateral" means:

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

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

1 (b) attaches to the minerals as extracted; or  
2 (2) accounts arising out of the sale at the wellhead or  
3 minehead of oil, gas, or other minerals in which the debtor  
4 had an interest before extraction.

5 g. "Authenticate" means:

6 (1) to sign; or

7 (2) to execute or otherwise adopt a symbol, or encrypt or  
8 similarly process a record in whole or in part, with the  
9 present intent of the authenticating person to identify the  
10 person and adopt or accept a record.

11 h. "Bank" means an organization that is engaged in the  
12 business of banking. The term includes savings banks, savings  
13 and loan associations, credit unions, and trust companies.

14 i. "Cash proceeds" means proceeds that are money, checks,  
15 deposit accounts, or the like.

16 j. "Certificate of title" means a certificate of title  
17 with respect to which a statute provides for the security  
18 interest in question to be indicated on the certificate as a  
19 condition or result of the security interest's obtaining  
20 priority over the rights of a lien creditor with respect to  
21 the collateral.

22 k. "Chattel paper" means a record or records that evidence  
23 both a monetary obligation and a security interest in specific  
24 goods, a security interest in specific goods and software used  
25 in the goods, a security interest in specific goods and  
26 license of software used in the goods, a lease of specific  
27 goods, or a lease of specific goods and license of software  
28 used in the goods. In this paragraph, "monetary obligation"  
29 means a monetary obligation secured by the goods or owed under  
30 a lease of the goods and includes a monetary obligation with  
31 respect to software used in the goods. The term does not  
32 include (i) charters or other contracts involving the use or  
33 hire of a vessel or (ii) records that evidence a right to  
34 payment arising out of the use of a credit or charge card or  
35 information contained on or for use with the card. If a

1 transaction is evidenced by records that include an instrument  
2 or series of instruments, the group of records taken together  
3 constitutes chattel paper.

4 1. "Collateral" means the property subject to a security  
5 interest or agricultural lien. The term includes:

6 (1) proceeds to which a security interest attaches;

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

9 (3) goods that are the subject of a consignment.

10 m. "Commercial tort claim" means a claim arising in tort  
11 with respect to which:

12 (1) the claimant is an organization; or

13 (2) the claimant is an individual and the claim:

14 (a) arose in the course of the claimant's business or  
15 profession; and

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

18 n. "Commodity account" means an account maintained by a  
19 commodity intermediary in which a commodity contract is  
20 carried for a commodity customer.

21 o. "Commodity contract" means a commodity futures  
22 contract, an option on a commodity futures contract, a  
23 commodity option, or another contract if the contract or  
24 option is:

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

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

31 p. "Commodity customer" means a person for which a  
32 commodity intermediary carries a commodity contract on its  
33 books.

34 q. "Commodity intermediary" means a person that:

35 (1) is registered as a futures commission merchant under

1 federal commodities law; or

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

6 r. "Communicate" means:

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

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

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

13 s. "Consignee" means a merchant to which goods are  
14 delivered in a consignment.

15 t. "Consignment" means a transaction, regardless of its  
16 form, in which a person delivers goods to a merchant for the  
17 purpose of sale and:

18 (1) the merchant:

19 (a) deals in goods of that kind under a name other than  
20 the name of the person making delivery;

21 (b) is not an auctioneer; and

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

24 (2) with respect to each delivery, the aggregate value of  
25 the goods is one thousand dollars or more at the time of  
26 delivery;

27 (3) the goods are not consumer goods immediately before  
28 delivery; and

29 (4) the transaction does not create a security interest  
30 that secures an obligation.

31 u. "Consignor" means a person that delivers goods to a  
32 consignee in a consignment.

33 v. "Consumer debtor" means a debtor in a consumer  
34 transaction.

35 w. "Consumer goods" means goods that are used or bought

1 for use primarily for personal, family, or household purposes.

2 x. "Consumer-goods transaction" means a consumer  
3 transaction in which:

4 (1) an individual incurs an obligation primarily for  
5 personal, family, or household purposes; and

6 (2) a security interest in consumer goods secures the  
7 obligation.

8 y. "Consumer obligor" means an obligor who is an  
9 individual and who incurred the obligation as part of a  
10 transaction entered into primarily for personal, family, or  
11 household purposes.

12 z. "Consumer transaction" means a transaction in which (i)  
13 an individual incurs an obligation primarily for personal,  
14 family, or household purposes, (ii) a security interest  
15 secures the obligation, and (iii) the collateral is held or  
16 acquired primarily for personal, family, or household  
17 purposes. The term includes consumer-goods transactions.

18 aa. "Continuation statement" means an amendment of a  
19 financing statement which:

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

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

25 ab. "Debtor" means:

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

29 (2) a seller of accounts, chattel paper, payment  
30 intangibles, or promissory notes; or

31 (3) a consignee.

32 ac. "Deposit account" means a demand, time, savings,  
33 passbook, or similar account maintained with a bank. The term  
34 does not include investment property or accounts evidenced by  
35 an instrument.

1 ad. "Document" means a document of title or a receipt of  
2 the type described in section 554.7201, subsection 2.

3 ae. "Electronic chattel paper" means chattel paper  
4 evidenced by a record or records consisting of information  
5 stored in an electronic medium.

6 af. "Encumbrance" means a right, other than an ownership  
7 interest, in real property. The term includes mortgages and  
8 other liens on real property.

9 ag. "Equipment" means goods other than inventory, farm  
10 products, or consumer goods.

11 ah. "Farm products" means goods, other than standing  
12 timber, with respect to which the debtor is engaged in a  
13 farming operation and which are:

14 (1) crops grown, growing, or to be grown, including:

15 (a) crops produced on trees, vines, and bushes; and

16 (b) aquatic goods produced in aquacultural operations;

17 (2) livestock, born or unborn, including aquatic goods  
18 produced in aquacultural operations;

19 (3) supplies used or produced in a farming operation; or

20 (4) products of crops or livestock in their unmanufactured  
21 states.

22 ai. "Farming operation" means raising, cultivating,  
23 propagating, fattening, grazing, or any other farming,  
24 livestock, or aquacultural operation.

25 aj. "File number" means the number assigned to an initial  
26 financing statement pursuant to section 554.9519, subsection  
27 1.

28 ak. "Filing office" means an office designated in section  
29 554.9501 as the place to file a financing statement.

30 al. "Filing-office rule" means a rule adopted pursuant to  
31 section 554.9526.

32 am. "Financing statement" means a record or records  
33 composed of an initial financing statement and any filed  
34 record relating to the initial financing statement.

35 an. "Fixture filing" means the filing of a financing

1 statement covering goods that are or are to become fixtures  
2 and satisfying section 554.9502, subsections 1 and 2. The  
3 term includes the filing of a financing statement covering  
4 goods of a transmitting utility which are or are to become  
5 fixtures.

6     ao. "Fixtures" means goods that have become so related to  
7 particular real property that an interest in them arises under  
8 real property law.

9     ap. "General intangible" means any personal property,  
10 including things in action, other than accounts, chattel  
11 paper, commercial tort claims, deposit accounts, documents,  
12 goods, instruments, investment property, letter-of-credit  
13 rights, letters of credit, money, and oil, gas, or other  
14 minerals before extraction. The term includes payment  
15 intangibles and software.

16     aq. "Good faith" means honesty in fact and the observance  
17 of reasonable commercial standards of fair dealing.

18     ar. "Goods" means all things that are movable when a  
19 security interest attaches. The term includes (i) fixtures,  
20 (ii) standing timber that is to be cut and removed under a  
21 conveyance or contract for sale, (iii) the unborn young of  
22 animals, (iv) crops grown, growing, or to be grown, even if  
23 the crops are produced on trees, vines, or bushes, and (v)  
24 manufactured homes. The term also includes a computer program  
25 embedded in goods and any supporting information provided in  
26 connection with a transaction relating to the program if (i)  
27 the program is associated with the goods in such a manner that  
28 it customarily is considered part of the goods, or (ii) by  
29 becoming the owner of the goods, a person acquires a right to  
30 use the program in connection with the goods. The term does  
31 not include a computer program embedded in goods that consist  
32 solely of the medium in which the program is embedded. The  
33 term also does not include accounts, chattel paper, commercial  
34 tort claims, deposit accounts, documents, general intangibles,  
35 instruments, investment property, letter-of-credit rights,

1 letters of credit, money, or oil, gas, or other minerals  
2 before extraction.

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

10 at. "Health-care-insurance receivable" means an interest  
11 in or claim under a policy of insurance which is a right to  
12 payment of a monetary obligation for health-care goods or  
13 services provided.

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

24 av. "Inventory" means goods, other than farm products,  
25 which:

26 (1) are leased by a person as lessor;

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

29 (3) are furnished by a person under a contract of service;  
30 or

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

33 aw. "Investment property" means a security, whether  
34 certificated or uncertificated, security entitlement,  
35 securities account, commodity contract, or commodity account.



1 ax. "Jurisdiction of organization", with respect to a  
2 registered organization, means the jurisdiction under whose  
3 law the organization is organized.

4 ay. "Letter-of-credit right" means a right to payment or  
5 performance under a letter of credit, whether or not the  
6 beneficiary has demanded or is at the time entitled to demand  
7 payment or performance. The term does not include the right  
8 of a beneficiary to demand payment or performance under a  
9 letter of credit.

10 az. "Lien creditor" means:

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

13 (2) an assignee for benefit of creditors from the time of  
14 assignment;

15 (3) a trustee in bankruptcy from the date of the filing of  
16 the petition; or

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

18 ba. "Manufactured home" means a structure, transportable  
19 in one or more sections, which, in the traveling mode, is  
20 eight body feet or more in width or forty body feet or more in  
21 length, or, when erected on site, is three hundred twenty or  
22 more square feet, and which is built on a permanent chassis  
23 and designed to be used as a dwelling with or without a  
24 permanent foundation when connected to the required utilities,  
25 and includes the plumbing, heating, air-conditioning, and  
26 electrical systems contained therein. The term includes any  
27 structure that meets all of the requirements of this paragraph  
28 except the size requirements and with respect to which the  
29 manufacturer voluntarily files a certification required by the  
30 United States secretary of housing and urban development and  
31 complies with the standards established under Title 42 of the  
32 United States Code.

33 bb. "Manufactured-home transaction" means a secured  
34 transaction:

35 (1) that creates a purchase-money security interest in a

1 manufactured home, other than a manufactured home held as  
2 inventory; or

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

6 bc. "Mortgage" means a consensual interest in real  
7 property, including fixtures, which secures payment or  
8 performance of an obligation.

9 bd. "New debtor" means a person that becomes bound as  
10 debtor under section 554.9203, subsection 4, by a security  
11 agreement previously entered into by another person.

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

17 bf. "Noncash proceeds" means proceeds other than cash  
18 proceeds.

19 bg. "Obligor" means a person that, with respect to an  
20 obligation secured by a security interest in or an  
21 agricultural lien on the collateral, (i) owes payment or other  
22 performance of the obligation, (ii) has provided property  
23 other than the collateral to secure payment or other  
24 performance of the obligation, or (iii) is otherwise  
25 accountable in whole or in part for payment or other  
26 performance of the obligation. The term does not include  
27 issuers or nominated persons under a letter of credit.

28 bh. "Original debtor", except as used in section 554.9310,  
29 subsection 3, means a person that, as debtor, entered into a  
30 security agreement to which a new debtor has become bound  
31 under section 554.9203, subsection 4.

32 bi. "Payment intangible" means a general intangible under  
33 which the account debtor's principal obligation is a monetary  
34 obligation.

35 bj. "Person related to", with respect to an individual,

1 means:

2 (1) the spouse of the individual;

3 (2) a brother, brother-in-law, sister, or sister-in-law of  
4 the individual;

5 (3) an ancestor or lineal descendant of the individual or  
6 the individual's spouse; or

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

10 bk. "Person related to", with respect to an organization,  
11 means:

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

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

16 (3) an officer or director of, or a person performing  
17 similar functions with respect to, a person described in  
18 subparagraph (1);

19 (4) the spouse of an individual described in subparagraph  
20 (1), (2), or (3); or

21 (5) an individual who is related by blood or marriage to  
22 an individual described in subparagraph (1), (2), (3), or (4)  
23 and shares the same home with the individual.

24 bl. "Proceeds", except as used in section 554.9609,  
25 subsection 2, means the following property:

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

28 (2) whatever is collected on, or distributed on account  
29 of, collateral;

30 (3) rights arising out of collateral;

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

35 (5) to the extent of the value of collateral and to the

1 extent payable to the debtor or the secured party, insurance  
2 payable by reason of the loss or nonconformity of, defects or  
3 infringement of rights in, or damage to, the collateral.

4     bm. "Promissory note" means an instrument that evidences a  
5 promise to pay a monetary obligation, does not evidence an  
6 order to pay, and does not contain an acknowledgment by a bank  
7 that the bank has received for deposit a sum of money or  
8 funds.

9     bn. "Proposal" means a record authenticated by a secured  
10 party which includes the terms on which the secured party is  
11 willing to accept collateral in full or partial satisfaction  
12 of the obligation it secures pursuant to sections 554.9620,  
13 554.9621, and 554.9622.

14     bo. "Public-finance transaction" means a secured  
15 transaction in connection with which:

16         (1) debt securities are issued;

17         (2) all or a portion of the securities issued have an  
18 initial stated maturity of at least twenty years; and

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

23     bp. "Pursuant to commitment", with respect to an advance  
24 made or other value given by a secured party, means pursuant  
25 to the secured party's obligation, whether or not a subsequent  
26 event of default or other event not within the secured party's  
27 control has relieved or may relieve the secured party from its  
28 obligation.

29     bq. "Record", except as used in "for record", "of record",  
30 "record or legal title", and "record owner", means information  
31 that is inscribed on a tangible medium or which is stored in  
32 an electronic or other medium and is retrievable in  
33 perceivable form.

34     br. "Registered organization" means an organization  
35 organized solely under the law of a single state or the United

1 States and as to which the state or the United States must  
2 maintain a public record showing the organization to have been  
3 organized.

4 bs. "Secondary obligor" means an obligor to the extent  
5 that:

6 (1) the obligor's obligation is secondary; or

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

10 bt. "Secured party" means:

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

14 (2) a person that holds an agricultural lien;

15 (3) a consignor;

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

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

21 (6) a person that holds a security interest arising under  
22 section 554.2401, 554.2505, 554.2711, subsection 3, section  
23 554.4210, 554.5118, or 554.13508, subsection 5.

24 bu. "Security agreement" means an agreement that creates  
25 or provides for a security interest.

26 bv. "Send", in connection with a record or notification,  
27 means:

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

32 (2) to cause the record or notification to be received  
33 within the time that it would have been received if properly  
34 sent under subparagraph (1).

35 bw. "Software" means a computer program and any supporting

1 information provided in connection with a transaction relating  
2 to the program. The term does not include a computer program  
3 that is included in the definition of goods.

4 bx. "State" means a state of the United States, the  
5 District of Columbia, Puerto Rico, the United States Virgin  
6 Islands, or any territory or insular possession subject to the  
7 jurisdiction of the United States.

8 by. "Supporting obligation" means a letter-of-credit right  
9 or secondary obligation that supports the payment or  
10 performance of an account, chattel paper, a document, a  
11 general intangible, an instrument, or investment property.

12 bz. "Tangible chattel paper" means chattel paper evidenced  
13 by a record or records consisting of information that is  
14 inscribed on a tangible medium.

15 ca. "Termination statement" means an amendment of a  
16 financing statement which:

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

19 (2) indicates either that it is a termination statement or  
20 that the identified financing statement is no longer  
21 effective.

22 cb. "Transmitting utility" means a person primarily  
23 engaged in the business of:

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

26 (2) transmitting communications electrically,  
27 electromagnetically, or by light;

28 (3) transmitting goods by pipeline or sewer; or

29 (4) transmitting or producing and transmitting  
30 electricity, steam, gas, or water.

31 2. DEFINITIONS IN OTHER ARTICLES. The following  
32 definitions in other Articles apply to this Article:

33 "Applicant"	Section 554.5102
34 "Beneficiary"	Section 554.5102
35 "Broker"	Section 554.8102

1	"Certificated security"	Section 554.8102
2	"Check"	Section 554.3104
3	"Clearing corporation"	Section 554.8102
4	"Contract for sale"	Section 554.2106
5	"Customer"	Section 554.4104
6	"Entitlement holder"	Section 554.8102
7	"Financial asset"	Section 554.8102
8	"Holder in due course"	Section 554.3302
9	"Issuer" (with respect to a letter of	
10	credit or letter-of-credit right)	Section 554.5102
11	"Issuer" (with respect to a security)	Section 554.8201
12	"Lease"	Section 554.13103
13	"Lease agreement"	Section 554.13103
14	"Lease contract"	Section 554.13103
15	"Leasehold interest"	Section 554.13103
16	"Lessee"	Section 554.13103
17	"Lessee in ordinary course of business"	Section 554.13103
18	"Lessor"	Section 554.13103
19	"Lessor's residual interest"	Section 554.13103
20	"Letter of credit"	Section 554.5102
21	"Merchant"	Section 554.2104
22	"Negotiable instrument"	Section 554.3104
23	"Nominated person"	Section 554.5102
24	"Note"	Section 554.3104
25	"Proceeds of a letter of credit"	Section 554.5114
26	"Prove"	Section 554.3103
27	"Sale"	Section 554.2106
28	"Securities account"	Section 554.8501
29	"Securities intermediary"	Section 554.8102
30	"Security"	Section 554.8102
31	"Security certificate"	Section 554.8102
32	"Security entitlement"	Section 554.8102
33	"Uncertificated security"	Section 554.8102
34	3. ARTICLE 1 DEFINITIONS AND PRINCIPLES. Article 1	
35	contains general definitions and principles of construction	

1 and interpretation applicable throughout this Article.

2 4. FEDERAL FOOD SECURITY ACT. For purposes of the Federal  
3 Food Security Act, 7 U.S.C. § 1631, written notice shall be  
4 considered to be received by the person to whom it was  
5 delivered if the notice is delivered in hand to the person, or  
6 mailed by certified or registered mail with the proper postage  
7 and properly addressed to the person to whom it was sent. The  
8 refusal of a person to whom a notice is so mailed to accept  
9 delivery of the notice shall be considered receipt.

10 Sec. 3. NEW SECTION. 554.9103 PURCHASE-MONEY SECURITY  
11 INTEREST -- APPLICATION OF PAYMENTS -- BURDEN OF ESTABLISHING.

12 1. DEFINITIONS. In this section:

13 a. "purchase-money collateral" means goods or software  
14 that secures a purchase-money obligation incurred with respect  
15 to that collateral; and

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

20 2. PURCHASE-MONEY SECURITY INTEREST IN GOODS. A security  
21 interest in goods is a purchase-money security interest:

22 a. to the extent that the goods are purchase-money  
23 collateral with respect to that security interest;

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

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

33 3. PURCHASE-MONEY SECURITY INTEREST IN SOFTWARE. A  
34 security interest in software is a purchase-money security  
35 interest to the extent that the security interest also secures



1 a purchase-money obligation incurred with respect to goods in  
2 which the secured party holds or held a purchase-money  
3 security interest if:

4 a. the debtor acquired its interest in the software in an  
5 integrated transaction in which it acquired an interest in the  
6 goods; and

7 b. the debtor acquired its interest in the software for  
8 the principal purpose of using the software in the goods.

9 4. CONSIGNOR'S INVENTORY PURCHASE-MONEY SECURITY INTEREST.

10 The security interest of a consignor in goods that are the  
11 subject of a consignment is a purchase-money security interest  
12 in inventory.

13 5. APPLICATION OF PAYMENT IN NONCONSUMER-GOODS

14 TRANSACTION. In a transaction other than a consumer-goods  
15 transaction, if the extent to which a security interest is a  
16 purchase-money security interest depends on the application of  
17 a payment to a particular obligation, the payment must be  
18 applied:

19 a. in accordance with any reasonable method of application  
20 to which the parties agree;

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

24 c. in the absence of an agreement to a reasonable method  
25 and a timely manifestation of the obligor's intention, in the  
26 following order:

27 (1) to obligations that are not secured; and

28 (2) if more than one obligation is secured, to obligations  
29 secured by purchase-money security interests in the order in  
30 which those obligations were incurred.

31 6. NO LOSS OF STATUS OF PURCHASE-MONEY SECURITY INTEREST

32 IN NONCONSUMER-GOODS TRANSACTION. In a transaction other than  
33 a consumer-goods transaction, a purchase-money security

34 interest does not lose its status as such, even if:

35 a. the purchase-money collateral also secures an

1 obligation that is not a purchase-money obligation;

2 b. collateral that is not purchase-money collateral also  
3 secures the purchase-money obligation; or

4 c. the purchase-money obligation has been renewed,  
5 refinanced, consolidated, or restructured.

6 7. BURDEN OF PROOF IN NONCONSUMER-GOODS TRANSACTION. In a  
7 transaction other than a consumer-goods transaction, a secured  
8 party claiming a purchase-money security interest has the  
9 burden of establishing the extent to which the security  
10 interest is a purchase-money security interest.

11 8. NONCONSUMER-GOODS TRANSACTIONS -- NO INFERENCE. The  
12 limitation of the rules in subsections 5, 6, and 7 to  
13 transactions other than consumer-goods transactions is  
14 intended to leave to the court the determination of the proper  
15 rules in consumer-goods transactions. The court may not infer  
16 from that limitation the nature of the proper rule in  
17 consumer-goods transactions and may continue to apply  
18 established approaches.

19 Sec. 4. NEW SECTION. 554.9104 CONTROL OF DEPOSIT  
20 ACCOUNT.

21 1. REQUIREMENTS FOR CONTROL. A secured party has control  
22 of a deposit account if:

23 a. the secured party is the bank with which the deposit  
24 account is maintained;

25 b. the debtor, secured party, and bank have agreed in an  
26 authenticated record that the bank will comply with  
27 instructions originated by the secured party directing  
28 disposition of the funds in the deposit account without  
29 further consent by the debtor; or

30 c. the secured party becomes the bank's customer with  
31 respect to the deposit account.

32 2. DEBTOR'S RIGHT TO DIRECT DISPOSITION. A secured party  
33 that has satisfied subsection 1 has control, even if the  
34 debtor retains the right to direct the disposition of funds  
35 from the deposit account.

1     Sec. 5. NEW SECTION. 554.9105 CONTROL OF ELECTRONIC  
2 CHATTEL PAPER.

3     A secured party has control of electronic chattel paper if  
4 the record or records comprising the chattel paper are  
5 created, stored, and assigned in such a manner that:

6     1. a single authoritative copy of the record or records  
7 exists which is unique, identifiable and, except as otherwise  
8 provided in subsections 4, 5, and 6, unalterable;

9     2. the authoritative copy identifies the secured party as  
10 the assignee of the record or records;

11    3. the authoritative copy is communicated to and  
12 maintained by the secured party or its designated custodian;

13    4. copies or revisions that add or change an identified  
14 assignee of the authoritative copy can be made only with the  
15 participation of the secured party;

16    5. each copy of the authoritative copy and any copy of a  
17 copy is readily identifiable as a copy that is not the  
18 authoritative copy; and

19    6. any revision of the authoritative copy is readily  
20 identifiable as an authorized or unauthorized revision.

21    Sec. 6. NEW SECTION. 554.9106 CONTROL OF INVESTMENT  
22 PROPERTY.

23    1. CONTROL UNDER SECTION 554.8106. A person has control  
24 of a certificated security, uncertificated security, or  
25 security entitlement as provided in section 554.8106.

26    2. CONTROL OF COMMODITY CONTRACT. A secured party has  
27 control of a commodity contract if:

28    a. the secured party is the commodity intermediary with  
29 which the commodity contract is carried; or

30    b. the commodity customer, secured party, and commodity  
31 intermediary have agreed that the commodity intermediary will  
32 apply any value distributed on account of the commodity  
33 contract as directed by the secured party without further  
34 consent by the commodity customer.

35    3. EFFECT OF CONTROL OF SECURITIES ACCOUNT OR COMMODITY

1 ACCOUNT. A secured party having control of all security  
2 entitlements or commodity contracts carried in a securities  
3 account or commodity account has control over the securities  
4 account or commodity account.

5 Sec. 7. NEW SECTION. 554.9107 CONTROL OF LETTER-OF-  
6 CREDIT RIGHT.

7 A secured party has control of a letter-of-credit right to  
8 the extent of any right to payment or performance by the  
9 issuer or any nominated person if the issuer or nominated  
10 person has consented to an assignment of proceeds of the  
11 letter of credit under section 554.5114, subsection 3, or  
12 otherwise applicable law or practice.

13 Sec. 8. NEW SECTION. 554.9108 SUFFICIENCY OF  
14 DESCRIPTION.

15 1. SUFFICIENCY OF DESCRIPTION. Except as otherwise  
16 provided in subsections 3, 4, and 5, a description of personal  
17 or real property is sufficient, whether or not it is specific,  
18 if it reasonably identifies what is described.

19 2. EXAMPLES OF REASONABLE IDENTIFICATION. Except as  
20 otherwise provided in subsection 4, a description of  
21 collateral reasonably identifies the collateral if it  
22 identifies the collateral by:

- 23 a. specific listing;
- 24 b. category;
- 25 c. except as otherwise provided in subsection 5, a type of  
26 collateral defined in this chapter;
- 27 d. quantity;
- 28 e. computational or allocational formula or procedure; or
- 29 f. except as otherwise provided in subsection 3, any other  
30 method, if the identity of the collateral is objectively  
31 determinable.

32 3. SUPERGENERIC DESCRIPTION NOT SUFFICIENT. A description  
33 of collateral as "all the debtor's assets" or "all the  
34 debtor's personal property" or using words of similar import  
35 does not reasonably identify the collateral.

1 4. INVESTMENT PROPERTY. Except as otherwise provided in  
2 subsection 5, a description of a security entitlement,  
3 securities account, or commodity account is sufficient if it  
4 describes:

5 a. the collateral by those terms or as investment  
6 property; or

7 b. the underlying financial asset or commodity contract.

8 5. WHEN DESCRIPTION BY TYPE INSUFFICIENT. A description  
9 only by type of collateral defined in this chapter is an  
10 insufficient description of:

11 a. a commercial tort claim; or

12 b. in a consumer transaction, consumer goods, a security  
13 entitlement, a securities account, or a commodity account.

14 B. APPLICABILITY OF ARTICLE

15 Sec. 9. NEW SECTION. 554.9109 SCOPE.

16 1. GENERAL SCOPE OF ARTICLE. Except as otherwise provided  
17 in subsections 3 and 4, this Article applies to:

18 a. a transaction, regardless of its form, that creates a  
19 security interest in personal property or fixtures by  
20 contract;

21 b. an agricultural lien;

22 c. a sale of accounts, chattel paper, payment intangibles,  
23 or promissory notes;

24 d. a consignment;

25 e. a security interest arising under section 554.2401,  
26 554.2505, 554.2711, subsection 3, section 554.9110, or  
27 554.13508, subsection 5; and

28 f. a security interest arising under section 554.4210 or  
29 554.5118.

30 2. SECURITY INTEREST IN SECURED OBLIGATION. The  
31 application of this Article to a security interest in a  
32 secured obligation is not affected by the fact that the  
33 obligation is itself secured by a transaction or interest to  
34 which this Article does not apply.

35 3. EXTENT TO WHICH ARTICLE DOES NOT APPLY. This Article

1 does not apply to the extent that:

2 a. a statute, regulation, or treaty of the United States  
3 preempts this Article;

4 b. another statute of this state expressly governs the  
5 creation, perfection, priority, or enforcement of a security  
6 interest created by this state or a governmental unit of this  
7 state;

8 c. a statute of another state, a foreign country, or a  
9 governmental unit of another state or a foreign country, other  
10 than a statute generally applicable to security interests,  
11 expressly governs creation, perfection, priority, or  
12 enforcement of a security interest created by the state,  
13 country, or governmental unit; or

14 d. the rights of a transferee beneficiary or nominated  
15 person under a letter of credit are independent and superior  
16 under section 554.5114.

17 4. INAPPLICABILITY OF ARTICLE. This Article does not  
18 apply to:

19 a. a landlord's lien, other than an agricultural lien;

20 b. a lien, other than an agricultural lien, given by  
21 statute or other rule of law for services or materials, but  
22 section 554.9333 applies with respect to priority of the lien;

23 c. an assignment of a claim for wages, salary, or other  
24 compensation of an employee;

25 d. a sale of accounts, chattel paper, payment intangibles,  
26 or promissory notes as part of a sale of the business out of  
27 which they arose;

28 e. an assignment of accounts, chattel paper, payment  
29 intangibles, or promissory notes which is for the purpose of  
30 collection only;

31 f. an assignment of a right to payment under a contract to  
32 an assignee that is also obligated to perform under the  
33 contract;

34 g. an assignment of a single account, payment intangible,  
35 or promissory note to an assignee in full or partial

1 satisfaction of a preexisting indebtedness;

2 h. a transfer of an interest in or an assignment of a  
3 claim under a policy of insurance, other than an assignment by  
4 or to a health-care provider of a health-care-insurance  
5 receivable and any subsequent assignment of the right to  
6 payment, but sections 554.9315 and 554.9322 apply with respect  
7 to proceeds and priorities in proceeds;

8 i. an assignment of a right represented by a judgment,  
9 other than a judgment taken on a right to payment that was  
10 collateral;

11 j. a right of recoupment or setoff, but:

12 (1) section 554.9340 applies with respect to the  
13 effectiveness of rights of recoupment or setoff against  
14 deposit accounts; and

15 (2) section 554.9404 applies with respect to defenses or  
16 claims of an account debtor;

17 k. the creation or transfer of an interest in or lien on  
18 real property, including a lease or rents thereunder, except  
19 to the extent that provision is made for:

20 (1) liens on real property in sections 554.9203 and  
21 554.9308;

22 (2) fixtures in section 554.9334;

23 (3) fixture filings in sections 554.9501, 554.9502,  
24 554.9512, 554.9516, and 554.9519; and

25 (4) security agreements covering personal and real  
26 property in section 554.9604;

27 l. an assignment of a claim arising in tort, other than a  
28 commercial tort claim, but sections 554.9315 and 554.9322  
29 apply with respect to proceeds and priorities in proceeds; or

30 m. an assignment of a deposit account in a consumer  
31 transaction, but sections 554.9315 and 554.9322 apply with  
32 respect to proceeds and priorities in proceeds.

33 n. a transfer, other than a transfer pursuant to chapter  
34 419, by this state or a governmental unit within this state in  
35 connection with a public-finance transaction or a transaction

1 that would be a public-finance transaction but for failure to  
2 meet the criterion set forth in section 554.9102, subsection  
3 1, paragraph "bo", subparagraph (2).

4 Sec. 10. NEW SECTION. 554.9110 SECURITY INTERESTS  
5 ARISING UNDER ARTICLE 2 OR 13.

6 A security interest arising under section 554.2401,  
7 554.2505, 554.2711, subsection 3, or section 554.13508,  
8 subsection 5, is subject to this Article. However, until the  
9 debtor obtains possession of the goods:

10 1. the security interest is enforceable, even if section  
11 554.9203, subsection 2, paragraph "c", has not been satisfied;

12 2. filing is not required to perfect the security  
13 interest;

14 3. the rights of the secured party after default by the  
15 debtor are governed by Article 2 or 13; and

16 4. the security interest has priority over a conflicting  
17 security interest created by the debtor.

18 PART 2

19 EFFECTIVENESS OF SECURITY AGREEMENT --

20 ATTACHMENT OF SECURITY INTEREST --

21 RIGHTS OF PARTIES TO SECURITY AGREEMENT

22 A. EFFECTIVENESS AND ATTACHMENT

23 Sec. 11. NEW SECTION. 554.9201 GENERAL EFFECTIVENESS OF  
24 SECURITY AGREEMENT.

25 1. GENERAL EFFECTIVENESS. Except as otherwise provided in  
26 this chapter, a security agreement is effective according to  
27 its terms between the parties, against purchasers of the  
28 collateral, and against creditors.

29 2. APPLICABLE CONSUMER LAWS. A transaction subject to  
30 this Article is subject to any applicable rule of law which  
31 establishes a different rule for consumers, including as  
32 provided in chapter 537, or any other statute or regulation of  
33 this state that regulates the rates, charges, agreements, and  
34 practices for loans, credit sales, or other extensions of  
35 credit, and to any consumer protection statute or regulation.



1 3. OTHER APPLICABLE LAW CONTROLS. In case of conflict  
2 between this Article and a rule of law, statute, or regulation  
3 described in subsection 2, the rule of law, statute, or  
4 regulation controls. Failure to comply with a statute or  
5 regulation described in subsection 2 has only the effect the  
6 statute or regulation specifies.

7 4. FURTHER DEFERENCE TO OTHER APPLICABLE LAW. This  
8 Article does not:

9 a. validate any rate, charge, agreement, or practice that  
10 violates a rule of law, statute, or regulation described in  
11 subsection 2; or

12 b. extend the application of the rule of law, statute, or  
13 regulation to a transaction not otherwise subject to it.

14 Sec. 12. NEW SECTION. 554.9202 TITLE TO COLLATERAL  
15 IMMATERIAL.

16 Except as otherwise provided with respect to consignments  
17 or sales of accounts, chattel paper, payment intangibles, or  
18 promissory notes, the provisions of this Article with regard  
19 to rights and obligations apply whether title to collateral is  
20 in the secured party or the debtor.

21 Sec. 13. NEW SECTION. 554.9203 ATTACHMENT AND  
22 ENFORCEABILITY OF SECURITY INTEREST -- PROCEEDS -- SUPPORTING  
23 OBLIGATIONS -- FORMAL REQUISITES.

24 1. ATTACHMENT. A security interest attaches to collateral  
25 when it becomes enforceable against the debtor with respect to  
26 the collateral, unless an agreement expressly postpones the  
27 time of attachment.

28 2. ENFORCEABILITY. Except as otherwise provided in  
29 subsections 3 through 9, a security interest is enforceable  
30 against the debtor and third parties with respect to the  
31 collateral only if:

32 a. value has been given;

33 b. the debtor has rights in the collateral or the power to  
34 transfer rights in the collateral to a secured party; and

35 c. one of the following conditions is met:

1 (1) the debtor has authenticated a security agreement that  
2 provides a description of the collateral and, if the security  
3 interest covers timber to be cut, a description of the land  
4 concerned;

5 (2) the collateral is not a certificated security and is  
6 in the possession of the secured party under section 554.9313  
7 pursuant to the debtor's security agreement;

8 (3) the collateral is a certificated security in  
9 registered form and the security certificate has been  
10 delivered to the secured party under section 554.8301 pursuant  
11 to the debtor's security agreement; or

12 (4) the collateral is deposit accounts, electronic chattel  
13 paper, investment property, or letter-of-credit rights, and  
14 the secured party has control under section 554.9104,  
15 554.9105, 554.9106, or 554.9107 pursuant to the debtor's  
16 security agreement.

17 3. OTHER UCC PROVISIONS. Subsection 2 is subject to  
18 section 554.4210 on the security interest of a collecting  
19 bank, section 554.5118 on the security interest of a letter-  
20 of-credit issuer or nominated person, section 554.9110 on a  
21 security interest arising under Article 2 or 13, and section  
22 554.9206 on security interests in investment property.

23 4. WHEN PERSON BECOMES BOUND BY ANOTHER PERSON'S SECURITY  
24 AGREEMENT. A person becomes bound as debtor by a security  
25 agreement entered into by another person if, by operation of  
26 law other than this Article or by contract:

27 a. the security agreement becomes effective to create a  
28 security interest in the person's property; or

29 b. the person becomes generally obligated for the  
30 obligations of the other person, including the obligation  
31 secured under the security agreement, and acquires or succeeds  
32 to all or substantially all of the assets of the other person.

33 5. EFFECT OF NEW DEBTOR BECOMING BOUND. If a new debtor  
34 becomes bound as debtor by a security agreement entered into  
35 by another person:

1 a. the agreement satisfies subsection 2, paragraph "c",  
2 with respect to existing or after-acquired property of the new  
3 debtor to the extent the property is described in the  
4 agreement; and

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

7 6. PROCEEDS AND SUPPORTING OBLIGATIONS. The attachment of  
8 a security interest in collateral gives the secured party the  
9 rights to proceeds provided by section 554.9315 and is also  
10 attachment of a security interest in a supporting obligation  
11 for the collateral.

12 7. LIEN SECURING RIGHT TO PAYMENT. The attachment of a  
13 security interest in a right to payment or performance secured  
14 by a security interest or other lien on personal or real  
15 property is also attachment of a security interest in the  
16 security interest, mortgage, or other lien.

17 8. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.  
18 The attachment of a security interest in a securities account  
19 is also attachment of a security interest in the security  
20 entitlements carried in the securities account.

21 9. COMMODITY CONTRACTS CARRIED IN COMMODITY ACCOUNT. The  
22 attachment of a security interest in a commodity account is  
23 also attachment of a security interest in the commodity  
24 contracts carried in the commodity account.

25 Sec. 14. NEW SECTION. 554.9204 AFTER-ACQUIRED PROPERTY  
26 -- FUTURE ADVANCES.

27 1. AFTER-ACQUIRED COLLATERAL. Except as otherwise  
28 provided in subsection 2, a security agreement may create or  
29 provide for a security interest in after-acquired collateral.

30 2. WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE. A  
31 security interest does not attach under a term constituting an  
32 after-acquired property clause to:

33 a. consumer goods, other than an accession when given as  
34 additional security, unless the debtor acquires rights in them  
35 within ten days after the secured party gives value; or

1 b. a commercial tort claim.

2 3. FUTURE ADVANCES AND OTHER VALUE. A security agreement  
3 may provide that collateral secures, or that accounts, chattel  
4 paper, payment intangibles, or promissory notes are sold in  
5 connection with, future advances or other value, whether or  
6 not the advances or value are given pursuant to commitment.

7 Sec. 15. NEW SECTION. 554.9205 USE OR DISPOSITION OF  
8 COLLATERAL PERMISSIBLE.

9 1. WHEN SECURITY INTEREST NOT INVALID OR FRAUDULENT. A  
10 security interest is not invalid or fraudulent against  
11 creditors solely because:

12 a. the debtor has the right or ability to:

13 (1) use, commingle, or dispose of all or part of the  
14 collateral, including returned or repossessed goods;

15 (2) collect, compromise, enforce, or otherwise deal with  
16 collateral;

17 (3) accept the return of collateral or make repossessions;  
18 or

19 (4) use, commingle, or dispose of proceeds; or

20 b. the secured party fails to require the debtor to  
21 account for proceeds or replace collateral.

22 2. REQUIREMENTS OF POSSESSION NOT RELAXED. This section  
23 does not relax the requirements of possession if attachment,  
24 perfection, or enforcement of a security interest depends upon  
25 possession of the collateral by the secured party.

26 Sec. 16. NEW SECTION. 554.9206 SECURITY INTEREST ARISING  
27 IN PURCHASE OR DELIVERY OF FINANCIAL ASSET.

28 1. SECURITY INTEREST WHEN PERSON BUYS THROUGH SECURITIES  
29 INTERMEDIARY. A security interest in favor of a securities  
30 intermediary attaches to a person's security entitlement if:

31 a. the person buys a financial asset through the  
32 securities intermediary in a transaction in which the person  
33 is obligated to pay the purchase price to the securities  
34 intermediary at the time of the purchase; and

35 b. the securities intermediary credits the financial asset

1 to the buyer's securities account before the buyer pays the  
2 securities intermediary.

3 2. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR  
4 FINANCIAL ASSET. The security interest described in  
5 subsection 1 secures the person's obligation to pay for the  
6 financial asset.

7 3. SECURITY INTEREST IN PAYMENT AGAINST DELIVERY  
8 TRANSACTION. A security interest in favor of a person that  
9 delivers a certificated security or other financial asset  
10 represented by a writing attaches to the security or other  
11 financial asset if:

12 a. the security or other financial asset:

13 (1) in the ordinary course of business is transferred by  
14 delivery with any necessary indorsement or assignment; and

15 (2) is delivered under an agreement between persons in the  
16 business of dealing with such securities or financial assets;  
17 and

18 b. the agreement calls for delivery against payment.

19 4. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR  
20 DELIVERY. The security interest described in subsection 3  
21 secures the obligation to make payment for the delivery.

22 B. RIGHTS AND DUTIES

23 Sec. 17. NEW SECTION. 554.9207 RIGHTS AND DUTIES OF  
24 SECURED PARTY HAVING POSSESSION OR CONTROL OF COLLATERAL.

25 1. DUTY OF CARE WHEN SECURED PARTY IN POSSESSION. Except  
26 as otherwise provided in subsection 4, a secured party shall  
27 use reasonable care in the custody and preservation of  
28 collateral in the secured party's possession. In the case of  
29 chattel paper or an instrument, reasonable care includes  
30 taking necessary steps to preserve rights against prior  
31 parties unless otherwise agreed.

32 2. EXPENSES, RISKS, DUTIES, AND RIGHTS WHEN SECURED PARTY  
33 IN POSSESSION. Except as otherwise provided in subsection 4,  
34 if a secured party has possession of collateral:

35 a. reasonable expenses, including the cost of insurance

1 and payment of taxes or other charges, incurred in the  
2 custody, preservation, use, or operation of the collateral are  
3 chargeable to the debtor and are secured by the collateral;

4 b. the risk of accidental loss or damage is on the debtor  
5 to the extent of a deficiency in any effective insurance  
6 coverage;

7 c. the secured party shall keep the collateral  
8 identifiable, but fungible collateral may be commingled; and

9 d. the secured party may use or operate the collateral:

10 (1) for the purpose of preserving the collateral or its  
11 value;

12 (2) as permitted by an order of a court having competent  
13 jurisdiction; or

14 (3) except in the case of consumer goods, in the manner  
15 and to the extent agreed by the debtor.

16 3. DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR  
17 CONTROL. Except as otherwise provided in subsection 4, a  
18 secured party having possession of collateral or control of  
19 collateral under section 554.9104, 554.9105, 554.9106, or  
20 554.9107:

21 a. may hold as additional security any proceeds, except  
22 money or funds, received from the collateral;

23 b. shall apply money or funds received from the collateral  
24 to reduce the secured obligation, unless remitted to the  
25 debtor; and

26 c. may create a security interest in the collateral.

27 4. BUYER OF CERTAIN RIGHTS TO PAYMENT. If the secured  
28 party is a buyer of accounts, chattel paper, payment  
29 intangibles, or promissory notes or a consignor:

30 a. subsection 1 does not apply unless the secured party is  
31 entitled under an agreement:

32 (1) to charge back uncollected collateral; or

33 (2) otherwise to full or limited recourse against the  
34 debtor or a secondary obligor based on the nonpayment or other  
35 default of an account debtor or other obligor on the

1 collateral; and

2 b. subsections 2 and 3 do not apply.

3 Sec. 18. NEW SECTION. 554.9208 ADDITIONAL DUTIES OF  
4 SECURED PARTY HAVING CONTROL OF COLLATERAL.

5 1. APPLICABILITY OF SECTION. This section applies to  
6 cases in which there is no outstanding secured obligation and  
7 the secured party is not committed to make advances, incur  
8 obligations, or otherwise give value.

9 2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM  
10 DEBTOR. Within ten days after receiving an authenticated  
11 demand by the debtor:

12 a. a secured party having control of a deposit account  
13 under section 554.9104, subsection 1, paragraph "b", shall  
14 send to the bank with which the deposit account is maintained  
15 an authenticated statement that releases the bank from any  
16 further obligation to comply with instructions originated by  
17 the secured party;

18 b. a secured party having control of a deposit account  
19 under section 554.9104, subsection 1, paragraph "c", shall:

20 (1) pay the debtor the balance on deposit in the deposit  
21 account; or

22 (2) transfer the balance on deposit into a deposit account  
23 in the debtor's name;

24 c. a secured party, other than a buyer, having control of  
25 electronic chattel paper under section 554.9105 shall:

26 (1) communicate the authoritative copy of the electronic  
27 chattel paper to the debtor or its designated custodian;

28 (2) if the debtor designates a custodian that is the  
29 designated custodian with which the authoritative copy of the  
30 electronic chattel paper is maintained for the secured party,  
31 communicate to the custodian an authenticated record releasing  
32 the designated custodian from any further obligation to comply  
33 with instructions originated by the secured party and  
34 instructing the custodian to comply with instructions  
35 originated by the debtor; and

1 (3) take appropriate action to enable the debtor or its  
2 designated custodian to make copies of or revisions to the  
3 authoritative copy which add or change an identified assignee  
4 of the authoritative copy without the consent of the secured  
5 party;

6 d. a secured party having control of investment property  
7 under section 554.8106, subsection 4, paragraph "b", or  
8 section 554.9106, subsection 2, shall send to the securities  
9 intermediary or commodity intermediary with which the security  
10 entitlement or commodity contract is maintained an  
11 authenticated record that releases the securities intermediary  
12 or commodity intermediary from any further obligation to  
13 comply with entitlement orders or directions originated by the  
14 secured party; and

15 e. a secured party having control of a letter-of-credit  
16 right under section 554.9107 shall send to each person having  
17 an unfulfilled obligation to pay or deliver proceeds of the  
18 letter of credit to the secured party an authenticated release  
19 from any further obligation to pay or deliver proceeds of the  
20 letter of credit to the secured party.

21 Sec. 19. NEW SECTION. 554.9209 DUTIES OF SECURED PARTY  
22 IF ACCOUNT DEBTOR HAS BEEN NOTIFIED OF ASSIGNMENT.

23 1. APPLICABILITY OF SECTION. Except as otherwise provided  
24 in subsection 3, this section applies if:

25 a. there is no outstanding secured obligation; and

26 b. the secured party is not committed to make advances,  
27 incur obligations, or otherwise give value.

28 2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM  
29 DEBTOR. Within ten days after receiving an authenticated  
30 demand by the debtor, a secured party shall send to an account  
31 debtor that has received notification of an assignment to the  
32 secured party as assignee under section 554.9406, subsection  
33 1, an authenticated record that releases the account debtor  
34 from any further obligation to the secured party.

35 3. INAPPLICABILITY TO SALES. This section does not apply



1 to an assignment constituting the sale of an account, chattel  
2 paper, or payment intangible.

3 Sec. 20. NEW SECTION. 554.9210 REQUEST FOR ACCOUNTING --  
4 REQUEST REGARDING LIST OF COLLATERAL OR STATEMENT OF ACCOUNT.

5 1. DEFINITIONS. In this section:

6 a. "Request" means a record of a type described in  
7 paragraph "b", "c", or "d".

8 b. "Request for an accounting" means a record  
9 authenticated by a debtor requesting that the recipient  
10 provide an accounting of the unpaid obligations secured by  
11 collateral and reasonably identifying the transaction or  
12 relationship that is the subject of the request.

13 c. "Request regarding a list of collateral" means a record  
14 authenticated by a debtor requesting that the recipient  
15 approve or correct a list of what the debtor believes to be  
16 the collateral securing an obligation and reasonably  
17 identifying the transaction or relationship that is the  
18 subject of the request.

19 d. "Request regarding a statement of account" means a  
20 record authenticated by a debtor requesting that the recipient  
21 approve or correct a statement indicating what the debtor  
22 believes to be the aggregate amount of unpaid obligations  
23 secured by collateral as of a specified date and reasonably  
24 identifying the transaction or relationship that is the  
25 subject of the request.

26 2. DUTY TO RESPOND TO REQUESTS. Subject to subsections 3,  
27 4, 5, and 6, a secured party, other than a buyer of accounts,  
28 chattel paper, payment intangibles, or promissory notes or a  
29 consignor, shall comply with a request within fourteen days  
30 after receipt:

31 a. in the case of a request for an accounting, by  
32 authenticating and sending to the debtor an accounting; and

33 b. in the case of a request regarding a list of collateral  
34 or a request regarding a statement of account, by  
35 authenticating and sending to the debtor an approval or

1 correction.

2 3. REQUEST REGARDING LIST OF COLLATERAL -- STATEMENT  
3 CONCERNING TYPE OF COLLATERAL. A secured party that claims a  
4 security interest in all of a particular type of collateral  
5 owned by the debtor may comply with a request regarding a list  
6 of collateral by sending to the debtor an authenticated record  
7 including a statement to that effect within fourteen days  
8 after receipt.

9 4. REQUEST REGARDING LIST OF COLLATERAL -- NO INTEREST  
10 CLAIMED. A person that receives a request regarding a list of  
11 collateral, claims no interest in the collateral when it  
12 receives the request, and claimed an interest in the  
13 collateral at an earlier time shall comply with the request  
14 within fourteen days after receipt by sending to the debtor an  
15 authenticated record:

- 16 a. disclaiming any interest in the collateral; and  
17 b. if known to the recipient, providing the name and  
18 mailing address of any assignee of or successor to the  
19 recipient's interest in the collateral.

20 5. REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF  
21 ACCOUNT -- NO INTEREST IN OBLIGATION CLAIMED. A person that  
22 receives a request for an accounting or a request regarding a  
23 statement of account, claims no interest in the obligations  
24 when it receives the request, and claimed an interest in the  
25 obligations at an earlier time shall comply with the request  
26 within fourteen days after receipt by sending to the debtor an  
27 authenticated record:

- 28 a. disclaiming any interest in the obligations; and  
29 b. if known to the recipient, providing the name and  
30 mailing address of any assignee of or successor to the  
31 recipient's interest in the obligations.

32 6. CHARGES FOR RESPONSES. A debtor is entitled without  
33 charge to one response to a request under this section during  
34 any six-month period. The secured party may require payment  
35 of a charge not exceeding twenty-five dollars for each

1 additional response.

2

PART 3

3

PERFECTION AND PRIORITY

4

A. LAW GOVERNING PERFECTION AND PRIORITY

5

Sec. 21. NEW SECTION. 554.9301 LAW GOVERNING PERFECTION

6

AND PRIORITY OF SECURITY INTERESTS.

7

Except as otherwise provided in sections 554.9303,

8

554.9304, 554.9305, and 554.9306, the following rules

9

determine the law governing perfection, the effect of

10

perfection or nonperfection, and the priority of a security

11

interest in collateral:

12

1. Except as otherwise provided in this section, while a

13

debtor is located in a jurisdiction, the local law of that

14

jurisdiction governs perfection, the effect of perfection or

15

nonperfection, and the priority of a security interest in

16

collateral.

17

2. While collateral is located in a jurisdiction, the

18

local law of that jurisdiction governs perfection, the effect

19

of perfection or nonperfection, and the priority of a

20

possessory security interest in that collateral.

21

3. Except as otherwise provided in subsection 4, while

22

negotiable documents, goods, instruments, money, or tangible

23

chattel paper is located in a jurisdiction, the local law of

24

that jurisdiction governs:

25

a. perfection of a security interest in the goods by

26

filing a fixture filing;

27

b. perfection of a security interest in timber to be cut;

28

and

29

c. the effect of perfection or nonperfection and the

30

priority of a nonpossessory security interest in the

31

collateral.

32

4. The local law of the jurisdiction in which the wellhead

33

or minehead is located governs perfection, the effect of

34

perfection or nonperfection, and the priority of a security

35

interest in as-extracted collateral.

1     Sec. 22. NEW SECTION. 554.9302   LAW GOVERNING PERFECTION  
2 AND PRIORITY OF AGRICULTURAL LIENS.

3     While farm products are located in a jurisdiction, the  
4 local law of that jurisdiction governs perfection, the effect  
5 of perfection or nonperfection, and the priority of an  
6 agricultural lien on the farm products.

7     Sec. 23. NEW SECTION. 554.9303   LAW GOVERNING PERFECTION  
8 AND PRIORITY OF SECURITY INTERESTS IN GOODS COVERED BY A  
9 CERTIFICATE OF TITLE.

10    1. APPLICABILITY OF SECTION. This section applies to  
11 goods covered by a certificate of title, even if there is no  
12 other relationship between the jurisdiction under whose  
13 certificate of title the goods are covered and the goods or  
14 the debtor.

15    2. WHEN GOODS COVERED BY CERTIFICATE OF TITLE. Goods  
16 become covered by a certificate of title when a valid  
17 application for the certificate of title and the applicable  
18 fee are delivered to the appropriate authority. Goods cease  
19 to be covered by a certificate of title at the earlier of the  
20 time the certificate of title ceases to be effective under the  
21 law of the issuing jurisdiction or the time the goods become  
22 covered subsequently by a certificate of title issued by  
23 another jurisdiction.

24    3. APPLICABLE LAW. The local law of the jurisdiction  
25 under whose certificate of title the goods are covered governs  
26 perfection, the effect of perfection or nonperfection, and the  
27 priority of a security interest in goods covered by a  
28 certificate of title from the time the goods become covered by  
29 the certificate of title until the goods cease to be covered  
30 by the certificate of title.

31    Sec. 24. NEW SECTION. 554.9304   LAW GOVERNING PERFECTION  
32 AND PRIORITY OF SECURITY INTERESTS IN DEPOSIT ACCOUNTS.

33    1. LAW OF BANK'S JURISDICTION GOVERNS. The local law of a  
34 bank's jurisdiction governs perfection, the effect of  
35 perfection or nonperfection, and the priority of a security

1 interest in a deposit account maintained with that bank.

2 2. BANK'S JURISDICTION. The following rules determine a  
3 bank's jurisdiction for purposes of this part:

4 a. If an agreement between the bank and the debtor  
5 governing the deposit account expressly provides that a  
6 particular jurisdiction is the bank's jurisdiction for  
7 purposes of this part, this Article, or this chapter, that  
8 jurisdiction is the bank's jurisdiction.

9 b. If paragraph "a" does not apply and an agreement  
10 between the bank and its customer governing the deposit  
11 account expressly provides that the agreement is governed by  
12 the law of a particular jurisdiction, that jurisdiction is the  
13 bank's jurisdiction.

14 c. If neither paragraph "a" nor paragraph "b" applies and  
15 an agreement between the bank and its customer governing the  
16 deposit account expressly provides that the deposit account is  
17 maintained at an office in a particular jurisdiction, that  
18 jurisdiction is the bank's jurisdiction.

19 d. If none of the preceding paragraphs applies, the bank's  
20 jurisdiction is the jurisdiction in which the office  
21 identified in an account statement as the office serving the  
22 customer's account is located.

23 e. If none of the preceding paragraphs applies, the bank's  
24 jurisdiction is the jurisdiction in which the chief executive  
25 office of the bank is located.

26 Sec. 25. NEW SECTION. 554.9305 LAW GOVERNING PERFECTION  
27 AND PRIORITY OF SECURITY INTERESTS IN INVESTMENT PROPERTY.

28 1. GOVERNING LAW -- GENERAL RULES. Except as otherwise  
29 provided in subsection 3, the following rules apply:

30 a. While a security certificate is located in a  
31 jurisdiction, the local law of that jurisdiction governs  
32 perfection, the effect of perfection or nonperfection, and the  
33 priority of a security interest in the certificated security  
34 represented thereby.

35 b. The local law of the issuer's jurisdiction as specified

1 in section 554.8110, subsection 4, governs perfection, the  
2 effect of perfection or nonperfection, and the priority of a  
3 security interest in an uncertificated security.

4 c. The local law of the securities intermediary's  
5 jurisdiction as specified in section 554.8110, subsection 5,  
6 governs perfection, the effect of perfection or nonperfection,  
7 and the priority of a security interest in a security  
8 entitlement or securities account.

9 d. The local law of the commodity intermediary's  
10 jurisdiction governs perfection, the effect of perfection or  
11 nonperfection, and the priority of a security interest in a  
12 commodity contract or commodity account.

13 2. COMMODITY INTERMEDIARY'S JURISDICTION. The following  
14 rules determine a commodity intermediary's jurisdiction for  
15 purposes of this part:

16 a. If an agreement between the commodity intermediary and  
17 commodity customer governing the commodity account expressly  
18 provides that a particular jurisdiction is the commodity  
19 intermediary's jurisdiction for purposes of this part, this  
20 Article, or this chapter, that jurisdiction is the commodity  
21 intermediary's jurisdiction.

22 b. If paragraph "a" does not apply and an agreement  
23 between the commodity intermediary and commodity customer  
24 governing the commodity account expressly provides that the  
25 agreement is governed by the law of a particular jurisdiction,  
26 that jurisdiction is the commodity intermediary's  
27 jurisdiction.

28 c. If neither paragraph "a" nor paragraph "b" applies and  
29 an agreement between the commodity intermediary and commodity  
30 customer governing the commodity account expressly provides  
31 that the commodity account is maintained at an office in a  
32 particular jurisdiction, that jurisdiction is the commodity  
33 intermediary's jurisdiction.

34 d. If none of the preceding paragraphs applies, the  
35 commodity intermediary's jurisdiction is the jurisdiction in

1 which the office identified in an account statement as the  
2 office serving the commodity customer's account is located.

3 e. If none of the preceding paragraphs applies, the  
4 commodity intermediary's jurisdiction is the jurisdiction in  
5 which the chief executive office of the commodity intermediary  
6 is located.

7 3. WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE  
8 DEBTOR LOCATED. The local law of the jurisdiction in which  
9 the debtor is located governs:

10 a. perfection of a security interest in investment  
11 property by filing;

12 b. automatic perfection of a security interest in  
13 investment property created by a broker or securities  
14 intermediary; and

15 c. automatic perfection of a security interest in a  
16 commodity contract or commodity account created by a commodity  
17 intermediary.

18 Sec. 26. NEW SECTION. 554.9306 LAW GOVERNING PERFECTION  
19 AND PRIORITY OF SECURITY INTERESTS IN LETTER-OF-CREDIT RIGHTS.

20 1. GOVERNING LAW -- ISSUER'S OR NOMINATED PERSON'S  
21 JURISDICTION. Subject to subsection 3, the local law of the  
22 issuer's jurisdiction or a nominated person's jurisdiction  
23 governs perfection, the effect of perfection or nonperfection,  
24 and the priority of a security interest in a letter-of-credit  
25 right if the issuer's jurisdiction or nominated person's  
26 jurisdiction is a state.

27 2. ISSUER'S OR NOMINATED PERSON'S JURISDICTION. For  
28 purposes of this part, an issuer's jurisdiction or nominated  
29 person's jurisdiction is the jurisdiction whose law governs  
30 the liability of the issuer or nominated person with respect  
31 to the letter-of-credit right as provided in section 554.5116.

32 3. WHEN SECTION NOT APPLICABLE. This section does not  
33 apply to a security interest that is perfected only under  
34 section 554.9308, subsection 4.

35 Sec. 27. NEW SECTION. 554.9307 LOCATION OF DEBTOR.

- 1 1. PLACE OF BUSINESS. In this section, "place of  
2 business" means a place where a debtor conducts its affairs.
- 3 2. DEBTOR'S LOCATION -- GENERAL RULES. Except as  
4 otherwise provided in this section, the following rules  
5 determine a debtor's location:
- 6 a. A debtor who is an individual is located at the  
7 individual's principal residence.
- 8 b. A debtor that is an organization and has only one place  
9 of business is located at its place of business.
- 10 c. A debtor that is an organization and has more than one  
11 place of business is located at its chief executive office.
- 12 3. LIMITATION OF APPLICABILITY OF SUBSECTION 2.  
13 Subsection 2 applies only if a debtor's residence, place of  
14 business, or chief executive office, as applicable, is located  
15 in a jurisdiction whose law generally requires information  
16 concerning the existence of a nonpossessory security interest  
17 to be made generally available in a filing, recording, or  
18 registration system as a condition or result of the security  
19 interest's obtaining priority over the rights of a lien  
20 creditor with respect to the collateral. If subsection 2 does  
21 not apply, the debtor is located in the District of Columbia.
- 22 4. CONTINUATION OF LOCATION -- CESSATION OF EXISTENCE,  
23 ETC. A person that ceases to exist, have a residence, or have  
24 a place of business continues to be located in the  
25 jurisdiction specified by subsections 2 and 3.
- 26 5. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER  
27 STATE LAW. A registered organization that is organized under  
28 the law of a state is located in that state.
- 29 6. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER  
30 FEDERAL LAW -- BANK BRANCHES AND AGENCIES. Except as  
31 otherwise provided in subsection 9, a registered organization  
32 that is organized under the law of the United States and a  
33 branch or agency of a bank that is not organized under the law  
34 of the United States or a state are located:
- 35 a. in the state that the law of the United States



1 designates, if the law designates a state of location;

2 b. in the state that the registered organization, branch,  
3 or agency designates, if the law of the United States  
4 authorizes the registered organization, branch, or agency to  
5 designate its state of location; or

6 c. in the District of Columbia, if neither paragraph "a"  
7 nor paragraph "b" applies.

8 7. CONTINUATION OF LOCATION -- CHANGE IN STATUS OF  
9 REGISTERED ORGANIZATION. A registered organization continues  
10 to be located in the jurisdiction specified by subsection 5 or  
11 6 notwithstanding:

12 a. the suspension, revocation, forfeiture, or lapse of the  
13 registered organization's status as such in its jurisdiction  
14 of organization; or

15 b. the dissolution, winding up, or cancellation of the  
16 existence of the registered organization.

17 8. LOCATION OF UNITED STATES. The United States is  
18 located in the District of Columbia.

19 9. LOCATION OF FOREIGN BANK BRANCH OR AGENCY IF LICENSED  
20 IN ONLY ONE STATE. A branch or agency of a bank that is not  
21 organized under the law of the United States or a state is  
22 located in the state in which the branch or agency is  
23 licensed, if all branches and agencies of the bank are  
24 licensed in only one state.

25 10. LOCATION OF FOREIGN AIR CARRIER. A foreign air  
26 carrier under the Federal Aviation Act of 1958, as amended, is  
27 located at the designated office of the agent upon which  
28 service of process may be made on behalf of the carrier.

29 11. SECTION APPLIES ONLY TO THIS PART. This section  
30 applies only for purposes of this part.

31 B. PERFECTION

32 Sec. 28. NEW SECTION. 554.9308 WHEN SECURITY INTEREST OR  
33 AGRICULTURAL LIEN IS PERFECTED -- CONTINUITY OF PERFECTION.

34 1. PERFECTION OF SECURITY INTEREST. Except as otherwise  
35 provided in this section and section 554.9309, a security

1 interest is perfected if it has attached and all of the  
2 applicable requirements for perfection in sections 554.9310,  
3 554.9311, 554.9312, 554.9313, 554.9314, 554.9315, and 554.9316  
4 have been satisfied. A security interest is perfected when it  
5 attaches if the applicable requirements are satisfied before  
6 the security interest attaches.

7 2. PERFECTION OF AGRICULTURAL LIEN. An agricultural lien  
8 is perfected if it has become effective and all of the  
9 applicable requirements for perfection in section 554.9310  
10 have been satisfied. An agricultural lien is perfected when  
11 it becomes effective if the applicable requirements are  
12 satisfied before the agricultural lien becomes effective.

13 3. CONTINUOUS PERFECTION -- PERFECTION BY DIFFERENT  
14 METHODS. A security interest or agricultural lien is  
15 perfected continuously if it is originally perfected by one  
16 method under this Article and is later perfected by another  
17 method under this Article, without an intermediate period when  
18 it was unperfected.

19 4. SUPPORTING OBLIGATION. Perfection of a security  
20 interest in collateral also perfects a security interest in a  
21 supporting obligation for the collateral.

22 5. LIEN SECURING RIGHT TO PAYMENT. Perfection of a  
23 security interest in a right to payment or performance also  
24 perfects a security interest in a security interest, mortgage,  
25 or other lien on personal or real property securing the right.

26 6. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.  
27 Perfection of a security interest in a securities account also  
28 perfects a security interest in the security entitlements  
29 carried in the securities account.

30 7. COMMODITY CONTRACT CARRIED IN COMMODITY ACCOUNT.  
31 Perfection of a security interest in a commodity account also  
32 perfects a security interest in the commodity contracts  
33 carried in the commodity account.

34 Sec. 29. NEW SECTION. 554.9309 SECURITY INTEREST  
35 PERFECTED UPON ATTACHMENT.

1 The following security interests are perfected when they  
2 attach:

3 1. a purchase-money security interest in consumer goods,  
4 except as otherwise provided in section 554.9311, subsection  
5 2, with respect to consumer goods that are subject to a  
6 statute or treaty described in section 554.9311, subsection 1;

7 2. an assignment of accounts or payment intangibles which  
8 does not by itself or in conjunction with other assignments to  
9 the same assignee transfer a significant part of the  
10 assignor's outstanding accounts or payment intangibles;

11 3. a sale of a payment intangible;

12 4. a sale of a promissory note;

13 5. a security interest created by the assignment of a  
14 health-care-insurance receivable to the provider of the  
15 health-care goods or services;

16 6. a security interest arising under section 554.2401,  
17 554.2505, 554.2711, subsection 3, or section 554.13508,  
18 subsection 5, until the debtor obtains possession of the  
19 collateral;

20 7. a security interest of a collecting bank arising under  
21 section 554.4210;

22 8. a security interest of an issuer or nominated person  
23 arising under section 554.5118;

24 9. a security interest arising in the delivery of a  
25 financial asset under section 554.9206, subsection 3;

26 10. a security interest in investment property created by  
27 a broker or securities intermediary;

28 11. a security interest in a commodity contract or a  
29 commodity account created by a commodity intermediary;

30 12. an assignment for the benefit of all creditors of the  
31 transferor and subsequent transfers by the assignee  
32 thereunder; and

33 13. a security interest created by an assignment of a  
34 beneficial interest in a decedent's estate.

35 Sec. 30. NEW SECTION. 554.9310 WHEN FILING REQUIRED TO

1 PERFECT SECURITY INTEREST OR AGRICULTURAL LIEN -- SECURITY  
2 INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING PROVISIONS DO  
3 NOT APPLY.

4 1. GENERAL RULE -- PERFECTION BY FILING. Except as  
5 otherwise provided in subsection 2 and section 554.9312,  
6 subsection 2, a financing statement must be filed to perfect  
7 all security interests and agricultural liens.

8 2 EXCEPTIONS -- FILING NOT NECESSARY. The filing of a  
9 financing statement is not necessary to perfect a security  
10 interest:

11 a. that is perfected under section 554.9308, subsection 4,  
12 5, 6, or 7;

13 b. that is perfected under section 554.9309 when it  
14 attaches;

15 c. in property subject to a statute, regulation, or treaty  
16 described in section 554.9311, subsection 1;

17 d. in goods in possession of a bailee which is perfected  
18 under section 554.9312, subsection 4, paragraph "a" or "b";

19 e. in certificated securities, documents, goods, or  
20 instruments which is perfected without filing or possession  
21 under section 554.9312, subsection 5, 6, or 7;

22 f. in collateral in the secured party's possession under  
23 section 554.9313;

24 g. in a certificated security which is perfected by  
25 delivery of the security certificate to the secured party  
26 under section 554.9313;

27 h. in deposit accounts, electronic chattel paper,  
28 investment property, or letter-of-credit rights which is  
29 perfected by control under section 554.9314;

30 i. in proceeds which is perfected under section 554.9315;  
31 or

32 j. that is perfected under section 554.9316.

33 3. ASSIGNMENT OF PERFECTED SECURITY INTEREST. If a  
34 secured party assigns a perfected security interest or  
35 agricultural lien, a filing under this Article is not required

1 to continue the perfected status of the security interest  
2 against creditors of and transferees from the original debtor.

3 Sec. 31. NEW SECTION. 554.9311 PERFECTION OF SECURITY  
4 INTERESTS IN PROPERTY SUBJECT TO CERTAIN STATUTES,  
5 REGULATIONS, AND TREATIES.

6 1. SECURITY INTEREST SUBJECT TO OTHER LAW. Except as  
7 otherwise provided in subsection 4, the filing of a financing  
8 statement is not necessary or effective to perfect a security  
9 interest in property subject to:

10 a. a statute, regulation, or treaty of the United States  
11 whose requirements for a security interest's obtaining  
12 priority over the rights of a lien creditor with respect to  
13 the property preempt section 554.9310, subsection 1;

14 b. any certificate-of-title statute, including as provided  
15 in chapter 321, covering automobiles, trailers, mobile homes,  
16 boats, farm tractors, or the like, which provides for a  
17 security interest to be indicated on the certificate as a  
18 condition or result of perfection; or

19 c. a certificate-of-title statute of another jurisdiction  
20 which provides for a security interest to be indicated on the  
21 certificate as a condition or result of the security  
22 interest's obtaining priority over the rights of a lien  
23 creditor with respect to the property.

24 2. COMPLIANCE WITH OTHER LAW. Compliance with the  
25 requirements of a statute, regulation, or treaty described in  
26 subsection 1 for obtaining priority over the rights of a lien  
27 creditor is equivalent to the filing of a financing statement  
28 under this Article. Except as otherwise provided in  
29 subsection 4 and sections 554.9313 and 554.9316, subsections 4  
30 and 5, for goods covered by a certificate of title, a security  
31 interest in property subject to a statute, regulation, or  
32 treaty described in subsection 1 may be perfected only by  
33 compliance with those requirements, and a security interest so  
34 perfected remains perfected notwithstanding a change in the  
35 use or transfer of possession of the collateral.

1 3. DURATION AND RENEWAL OF PERFECTION. Except as  
2 otherwise provided in subsection 4 and section 554.9316,  
3 subsections 4 and 5, duration and renewal of perfection of a  
4 security interest perfected by compliance with the  
5 requirements prescribed by a statute, regulation, or treaty  
6 described in subsection 1 are governed by the statute,  
7 regulation, or treaty. In other respects, the security  
8 interest is subject to this Article.

9 4. INAPPLICABILITY TO CERTAIN INVENTORY. During any  
10 period in which collateral subject to a statute specified in  
11 subsection 1, paragraph "b" is inventory held for sale or  
12 lease by a person or leased by that person as lessor and that  
\* 13 person is in the business of selling goods of that kind, this  
14 section does not apply to a security interest in that  
\* 15 collateral created by that person.

16 Sec. 32. NEW SECTION. 554.9312 PERFECTION OF SECURITY  
17 INTERESTS IN CHATTEL PAPER, DEPOSIT ACCOUNTS, DOCUMENTS, GOODS  
18 COVERED BY DOCUMENTS, INSTRUMENTS, INVESTMENT PROPERTY,  
19 LETTER-OF-CREDIT RIGHTS, AND MONEY -- PERFECTION BY PERMISSIVE  
20 FILING -- TEMPORARY PERFECTION WITHOUT FILING OR TRANSFER OF  
21 POSSESSION.

22 1. PERFECTION BY FILING PERMITTED. A security interest in  
23 chattel paper, negotiable documents, instruments, or  
24 investment property may be perfected by filing.

25 2. CONTROL OR POSSESSION OF CERTAIN COLLATERAL. Except as  
26 otherwise provided in section 554.9315, subsections 3 and 4,  
27 for proceeds:

28 a. a security interest in a deposit account may be  
29 perfected only by control under section 554.9314;

30 b. and except as otherwise provided in section 554.9308,  
31 subsection 4, a security interest in a letter-of-credit right  
32 may be perfected only by control under section 554.9314; and

33 c. a security interest in money may be perfected only by  
34 the secured party's taking possession under section 554.9313.

35 3. GOODS COVERED BY NEGOTIABLE DOCUMENT. While goods are

1 in the possession of a bailee that has issued a negotiable  
2 document covering the goods:

3 a. a security interest in the goods may be perfected by  
4 perfecting a security interest in the document; and

5 b. a security interest perfected in the document has  
6 priority over any security interest that becomes perfected in  
7 the goods by another method during that time.

8 4. GOODS COVERED BY NONNEGOTIABLE DOCUMENT. While goods  
9 are in the possession of a bailee that has issued a  
10 nonnegotiable document covering the goods, a security interest  
11 in the goods may be perfected by:

12 a. issuance of a document in the name of the secured  
13 party;

14 b. the bailee's receipt of notification of the secured  
15 party's interest; or

16 c. filing as to the goods.

17 5. TEMPORARY PERFECTION -- NEW VALUE. A security interest  
18 in certificated securities, negotiable documents, or  
19 instruments is perfected without filing or the taking of  
20 possession for a period of twenty days from the time it  
21 attaches to the extent that it arises for new value given  
22 under an authenticated security agreement.

23 6. TEMPORARY PERFECTION -- GOODS OR DOCUMENTS MADE  
24 AVAILABLE TO DEBTOR. A perfected security interest in a  
25 negotiable document or goods in possession of a bailee, other  
26 than one that has issued a negotiable document for the goods,  
27 remains perfected for twenty days without filing if the  
28 secured party makes available to the debtor the goods or  
29 documents representing the goods for the purpose of:

30 a. ultimate sale or exchange; or

31 b. loading, unloading, storing, shipping, transshipping,  
32 manufacturing, processing, or otherwise dealing with them in a  
33 manner preliminary to their sale or exchange.

34 7. TEMPORARY PERFECTION -- DELIVERY OF SECURITY  
35 CERTIFICATE OR INSTRUMENT TO DEBTOR. A perfected security

1 interest in a certificated security or instrument remains  
2 perfected for twenty days without filing if the secured party  
3 delivers the security certificate or instrument to the debtor  
4 for the purpose of:

5 a. ultimate sale or exchange; or

6 b. presentation, collection, enforcement, renewal, or  
7 registration of transfer.

8 8. EXPIRATION OF TEMPORARY PERFECTION. After the twenty-  
9 day period specified in subsection 5, 6, or 7 expires,  
10 perfection depends upon compliance with this Article.

11 Sec. 33. NEW SECTION. 554.9313 WHEN POSSESSION BY OR  
12 DELIVERY TO SECURED PARTY PERFECTS SECURITY INTEREST WITHOUT  
13 FILING.

14 1. PERFECTION BY POSSESSION OR DELIVERY. Except as  
15 otherwise provided in subsection 2, a secured party may  
16 perfect a security interest in negotiable documents, goods,  
17 instruments, money, or tangible chattel paper by taking  
18 possession of the collateral. A secured party may perfect a  
19 security interest in certificated securities by taking  
20 delivery of the certificated securities under section  
21 554.8301.

22 2. GOODS COVERED BY CERTIFICATE OF TITLE. With respect to  
23 goods covered by a certificate of title issued by this state,  
24 a secured party may perfect a security interest in the goods  
25 by taking possession of the goods only in the circumstances  
26 described in section 554.9316, subsection 5.

27 3. COLLATERAL IN POSSESSION OF PERSON OTHER THAN DEBTOR.  
28 With respect to collateral other than certificated securities  
29 and goods covered by a document, a secured party takes  
30 possession of collateral in the possession of a person other  
31 than the debtor, the secured party, or a lessee of the  
32 collateral from the debtor in the ordinary course of the  
33 debtor's business, when:

34 a. the person in possession authenticates a record  
35 acknowledging that it holds possession of the collateral for



1 the secured party's benefit; or

2 b. the person takes possession of the collateral after  
3 having authenticated a record acknowledging that it will hold  
4 possession of collateral for the secured party's benefit.

5 4. TIME OF PERFECTION BY POSSESSION -- CONTINUATION OF  
6 PERFECTION. If perfection of a security interest depends upon  
7 possession of the collateral by a secured party, perfection  
8 occurs no earlier than the time the secured party takes  
9 possession and continues only while the secured party retains  
10 possession.

11 5. TIME OF PERFECTION BY DELIVERY -- CONTINUATION OF  
12 PERFECTION. A security interest in a certificated security in  
13 registered form is perfected by delivery when delivery of the  
14 certificated security occurs under section 554.8301 and  
15 remains perfected by delivery until the debtor obtains  
16 possession of the security certificate.

17 6. ACKNOWLEDGMENT NOT REQUIRED. A person in possession of  
18 collateral is not required to acknowledge that it holds  
19 possession for a secured party's benefit.

20 7. EFFECTIVENESS OF ACKNOWLEDGMENT -- NO DUTIES OR  
21 CONFIRMATION. If a person acknowledges that it holds  
22 possession for the secured party's benefit:

23 a. the acknowledgment is effective under subsection 3 or  
24 section 554.8301, subsection 1, even if the acknowledgment  
25 violates the rights of a debtor; and

26 b. unless the person otherwise agrees or law other than  
27 this Article otherwise provides, the person does not owe any  
28 duty to the secured party and is not required to confirm the  
29 acknowledgment to another person.

30 8. SECURED PARTY'S DELIVERY TO PERSON OTHER THAN DEBTOR.  
31 A secured party having possession of collateral does not  
32 relinquish possession by delivering the collateral to a person  
33 other than the debtor or a lessee of the collateral from the  
34 debtor in the ordinary course of the debtor's business if the  
35 person was instructed before the delivery or is instructed

1 contemporaneously with the delivery:

2 a. to hold possession of the collateral for the secured  
3 party's benefit; or

4 b. to redeliver the collateral to the secured party.

5 9. EFFECT OF DELIVERY UNDER SUBSECTION 8 -- NO DUTIES OR  
6 CONFIRMATION. A secured party does not relinquish possession,  
7 even if a delivery under subsection 8 violates the rights of a  
8 debtor. A person to which collateral is delivered under  
9 subsection 8 does not owe any duty to the secured party and is  
10 not required to confirm the delivery to another person unless  
11 the person otherwise agrees or law other than this Article  
12 otherwise provides.

13 Sec. 34. NEW SECTION. 554.9314 PERFECTION BY CONTROL.

14 1. PERFECTION BY CONTROL. A security interest in  
15 investment property, deposit accounts, letter-of-credit  
16 rights, or electronic chattel paper may be perfected by  
17 control of the collateral under section 554.9104, 554.9105,  
18 554.9106, or 554.9107.

19 2. SPECIFIED COLLATERAL -- TIME OF PERFECTION BY CONTROL  
20 -- CONTINUATION OF PERFECTION. A security interest in deposit  
21 accounts, electronic chattel paper, or letter-of-credit rights  
22 is perfected by control under section 554.9104, 554.9105, or  
23 554.9107 when the secured party obtains control and remains  
24 perfected by control only while the secured party retains  
25 control.

26 3. INVESTMENT PROPERTY -- TIME OF PERFECTION BY CONTROL --  
27 CONTINUATION OF PERFECTION. A security interest in investment  
28 property is perfected by control under section 554.9106 from  
29 the time the secured party obtains control and remains  
30 perfected by control until:

31 a. the secured party does not have control; and

32 b. one of the following occurs:

33 (1) if the collateral is a certificated security, the  
34 debtor has or acquires possession of the security certificate;

35 (2) if the collateral is an uncertificated security, the

1 issuer has registered or registers the debtor as the  
2 registered owner; or

3 (3) if the collateral is a security entitlement, the  
4 debtor is or becomes the entitlement holder.

5 Sec. 35. NEW SECTION. 554.9315 SECURED PARTY'S RIGHTS ON  
6 DISPOSITION OF COLLATERAL AND IN PROCEEDS.

7 1. DISPOSITION OF COLLATERAL -- CONTINUATION OF SECURITY  
8 INTEREST OR AGRICULTURAL LIEN -- PROCEEDS. Except as  
9 otherwise provided in this Article and in section 554.2403,  
10 subsection 2:

11 a. a security interest or agricultural lien continues in  
12 collateral notwithstanding sale, lease, license, exchange, or  
13 other disposition thereof unless the secured party authorized  
14 the disposition free of the security interest or agricultural  
15 lien; and

16 b. a security interest attaches to any identifiable  
17 proceeds of collateral.

18 2. WHEN COMMINGLED PROCEEDS IDENTIFIABLE. Proceeds that  
19 are commingled with other property are identifiable proceeds:

20 a. if the proceeds are goods, to the extent provided by  
21 section 554.9336; and

22 b. if the proceeds are not goods, to the extent that the  
23 secured party identifies the proceeds by a method of tracing,  
24 including application of equitable principles, that is  
25 permitted under law other than this Article with respect to  
26 commingled property of the type involved.

27 3. PERFECTION OF SECURITY INTEREST IN PROCEEDS. A  
28 security interest in proceeds is a perfected security interest  
29 if the security interest in the original collateral was  
30 perfected.

31 4. CONTINUATION OF PERFECTION. A perfected security  
32 interest in proceeds becomes unperfected on the twenty-first  
33 day after the security interest attaches to the proceeds  
34 unless:

35 a. the following conditions are satisfied:

1 (1) a filed financing statement covers the original  
2 collateral;

3 (2) the proceeds are collateral in which a security  
4 interest may be perfected by filing in the office in which the  
5 financing statement has been filed; and

6 (3) the proceeds are not acquired with cash proceeds;

7 b. the proceeds are identifiable cash proceeds; or

8 c. the security interest in the proceeds is perfected  
9 other than under subsection 3 when the security interest  
10 attaches to the proceeds or within twenty days thereafter.

11 5. WHEN PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES  
12 UNPERFECTED. If a filed financing statement covers the  
13 original collateral, a security interest in proceeds which  
14 remains perfected under subsection 4, paragraph "a", becomes  
15 unperfected at the later of:

16 a. when the effectiveness of the filed financing statement  
17 lapses under section 554.9515 or is terminated under section  
18 554.9513; or

19 b. the twenty-first day after the security interest  
20 attaches to the proceeds.

21 Sec. 36. NEW SECTION. 554.9316 CONTINUED PERFECTION OF  
22 SECURITY INTEREST FOLLOWING CHANGE IN GOVERNING LAW.

23 1. GENERAL RULE -- EFFECT ON PERFECTION OF CHANGE IN  
24 GOVERNING LAW. A security interest perfected pursuant to the  
25 law of the jurisdiction designated in section 554.9301,  
26 subsection 1, or section 554.9305, subsection 3, remains  
27 perfected until the earliest of:

28 a. the time perfection would have ceased under the law of  
29 that jurisdiction;

30 b. the expiration of four months after a change of the  
31 debtor's location to another jurisdiction; or

32 c. the expiration of one year after a transfer of  
33 collateral to a person that thereby becomes a debtor and is  
34 located in another jurisdiction.

35 2. SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF

1 NEW JURISDICTION. If a security interest described in  
2 subsection 1 becomes perfected under the law of the other  
3 jurisdiction before the earliest time or event described in  
4 that subsection, it remains perfected thereafter. If the  
5 security interest does not become perfected under the law of  
6 the other jurisdiction before the earliest time or event, it  
7 becomes unperfected and is deemed never to have been perfected  
8 as against a purchaser of the collateral for value.

9 3. POSSESSORY SECURITY INTEREST IN COLLATERAL MOVED TO NEW  
10 JURISDICTION. A possessory security interest in collateral,  
11 other than goods covered by a certificate of title and as-  
12 extracted collateral consisting of goods, remains continuously  
13 perfected if:

14 a. the collateral is located in one jurisdiction and  
15 subject to a security interest perfected under the law of that  
16 jurisdiction;

17 b. thereafter the collateral is brought into another  
18 jurisdiction; and

19 c. upon entry into the other jurisdiction, the security  
20 interest is perfected under the law of the other jurisdiction.

21 4. GOODS COVERED BY CERTIFICATE OF TITLE FROM THIS STATE.  
22 Except as otherwise provided in subsection 5, a security  
23 interest in goods covered by a certificate of title which is  
24 perfected by any method under the law of another jurisdiction  
25 when the goods become covered by a certificate of title from  
26 this state remains perfected until the security interest would  
27 have become unperfected under the law of the other  
28 jurisdiction had the goods not become so covered.

29 5. WHEN SUBSECTION 4 SECURITY INTEREST BECOMES UNPERFECTED  
30 AGAINST PURCHASERS. A security interest described in  
31 subsection 4 becomes unperfected as against a purchaser of the  
32 goods for value and is deemed never to have been perfected as  
33 against a purchaser of the goods for value if the applicable  
34 requirements for perfection under section 554.9311, subsection  
35 2, or section 554.9313 are not satisfied before the earlier

1 of:

- 2 a. the time the security interest would have become  
3 unperfected under the law of the other jurisdiction had the  
4 goods not become covered by a certificate of title from this  
5 state; or  
6 b. the expiration of four months after the goods had  
7 become so covered.

8 6. CHANGE IN JURISDICTION OF BANK, ISSUER, NOMINATED  
9 PERSON, SECURITIES INTERMEDIARY, OR COMMODITY INTERMEDIARY. A  
10 security interest in deposit accounts, letter-of-credit  
11 rights, or investment property which is perfected under the  
12 law of the bank's jurisdiction, the issuer's jurisdiction, a  
13 nominated person's jurisdiction, the securities intermediary's  
14 jurisdiction, or the commodity intermediary's jurisdiction, as  
15 applicable, remains perfected until the earlier of:

- 16 a. the time the security interest would have become  
17 unperfected under the law of that jurisdiction; or  
18 b. the expiration of four months after a change of the  
19 applicable jurisdiction to another jurisdiction.

20 7. SUBSECTION 6 SECURITY INTEREST PERFECTED OR UNPERFECTED  
21 UNDER LAW OF NEW JURISDICTION. If a security interest  
22 described in subsection 6 becomes perfected under the law of  
23 the other jurisdiction before the earlier of the time or the  
24 end of the period described in that subsection, it remains  
25 perfected thereafter. If the security interest does not  
26 become perfected under the law of the other jurisdiction  
27 before the earlier of that time or the end of that period, it  
28 becomes unperfected and is deemed never to have been perfected  
29 as against a purchaser of the collateral for value.

30 C. PRIORITY

31 Sec. 37. NEW SECTION. 554.9317 INTERESTS THAT TAKE  
32 PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST OR  
33 AGRICULTURAL LIEN.

34 1. CONFLICTING SECURITY INTERESTS AND RIGHTS OF LIEN  
35 CREDITORS. A security interest or agricultural lien is

1 subordinate to the rights of:

2 a. a person entitled to priority under section 554.9322;  
3 and

4 b. except as otherwise provided in subsection 5, a person  
5 that becomes a lien creditor before the earlier of the time:

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

8 (2) One of the conditions specified in section 554.9203,  
9 subsection 2, paragraph "c" is met and a financing statement  
10 covering the collateral is filed.

11 2. BUYERS THAT RECEIVE DELIVERY. Except as otherwise  
12 provided in subsection 5, a buyer, other than a secured party,  
13 of tangible chattel paper, documents, goods, instruments, or a  
14 security certificate takes free of a security interest or  
15 agricultural lien if the buyer gives value and receives  
16 delivery of the collateral without knowledge of the security  
17 interest or agricultural lien and before it is perfected.

18 3. LESSEES THAT RECEIVE DELIVERY. Except as otherwise  
19 provided in subsection 5, a lessee of goods takes free of a  
20 security interest or agricultural lien if the lessee gives  
21 value and receives delivery of the collateral without  
22 knowledge of the security interest or agricultural lien and  
23 before it is perfected.

24 4. LICENSEES AND BUYERS OF CERTAIN COLLATERAL. A licensee  
25 of a general intangible or a buyer, other than a secured  
26 party, of accounts, electronic chattel paper, general  
27 intangibles, or investment property other than a certificated  
28 security takes free of a security interest if the licensee or  
29 buyer gives value without knowledge of the security interest  
30 and before it is perfected.

31 5. PURCHASE-MONEY SECURITY INTEREST. Except as otherwise  
32 provided in sections 554.9320 and 554.9321, if a person files  
33 a financing statement with respect to a purchase-money  
34 security interest before or within twenty days after the  
35 debtor receives delivery of the collateral, the security

1 interest takes priority over the rights of a buyer, lessee, or  
2 lien creditor which arise between the time the security  
3 interest attaches and the time of filing.

4 Sec. 38. NEW SECTION. 554.9318 NO INTEREST RETAINED IN  
5 RIGHT TO PAYMENT THAT IS SOLD -- RIGHTS AND TITLE OF SELLER OF  
6 ACCOUNT OR CHATTEL PAPER WITH RESPECT TO CREDITORS AND  
7 PURCHASERS.

8 1. SELLER RETAINS NO INTEREST. A debtor that has sold an  
9 account, chattel paper, payment intangible, or promissory note  
10 does not retain a legal or equitable interest in the  
11 collateral sold.

12 2. DEEMED RIGHTS OF DEBTOR IF BUYER'S SECURITY INTEREST  
13 UNPERFECTED. For purposes of determining the rights of  
14 creditors of, and purchasers for value of an account or  
15 chattel paper from, a debtor that has sold an account or  
16 chattel paper, while the buyer's security interest is  
17 unperfected, the debtor is deemed to have rights and title to  
18 the account or chattel paper identical to those the debtor  
19 sold.

20 Sec. 39. NEW SECTION. 554.9319 RIGHTS AND TITLE OF  
21 CONSIGNEE WITH RESPECT TO CREDITORS AND PURCHASERS.

22 1. CONSIGNEE HAS CONSIGNOR'S RIGHTS. Except as otherwise  
23 provided in subsection 2, for purposes of determining the  
24 rights of creditors of, and purchasers for value of goods  
25 from, a consignee, while the goods are in the possession of  
26 the consignee, the consignee is deemed to have rights and  
27 title to the goods identical to those the consignor had or had  
28 power to transfer.

29 2. APPLICABILITY OF OTHER LAW. For purposes of  
30 determining the rights of a creditor of a consignee, law other  
31 than this Article determines the rights and title of a  
32 consignee while goods are in the consignee's possession if,  
33 under this part, a perfected security interest held by the  
34 consignor would have priority over the rights of the creditor.

35 Sec. 40. NEW SECTION. 554.9320 BUYER OF GOODS.



1 1. BUYER IN ORDINARY COURSE OF BUSINESS. Except as  
2 otherwise provided in subsection 5, a buyer in ordinary course  
3 of business, other than a person buying farm products from a  
4 person engaged in farming operations, takes free of a security  
5 interest created by the buyer's seller, even if the security  
6 interest is perfected and the buyer knows of its existence.

7 2. BUYER OF CONSUMER GOODS. Except as otherwise provided  
8 in subsection 5, a buyer of goods from a person who used or  
9 bought the goods for use primarily for personal, family, or  
10 household purposes takes free of a security interest, even if  
11 perfected, if the buyer buys:

12 a. without knowledge of the security interest;

13 b. for value;

14 c. primarily for the buyer's personal, family, or  
15 household purposes; and

16 d. before the filing of a financing statement covering the  
17 goods.

18 3. EFFECTIVENESS OF FILING FOR SUBSECTION 2. To the  
19 extent that it affects the priority of a security interest  
20 over a buyer of goods under subsection 2, the period of  
21 effectiveness of a filing made in the jurisdiction in which  
22 the seller is located is governed by section 554.9316,  
23 subsections 1 and 2.

24 4. BUYER IN ORDINARY COURSE OF BUSINESS AT WELLHEAD OR  
25 MINEHEAD. A buyer in ordinary course of business buying oil,  
26 gas, or other minerals at the wellhead or minehead or after  
27 extraction takes free of an interest arising out of an  
28 encumbrance.

29 5. POSSESSORY SECURITY INTEREST NOT AFFECTED. Subsections  
30 1 and 2 do not affect a security interest in goods in the  
31 possession of the secured party under section 554.9313.

32 Sec. 41. NEW SECTION. 554.9321 LICENSEE OF GENERAL  
33 INTANGIBLE AND LESSEE OF GOODS IN ORDINARY COURSE OF BUSINESS.

34 1. LICENSEE IN ORDINARY COURSE OF BUSINESS. In this  
35 section, "licensee in ordinary course of business" means a

1 person that becomes a licensee of a general intangible in good  
2 faith, without knowledge that the license violates the rights  
3 of another person in the general intangible, and in the  
4 ordinary course from a person in the business of licensing  
5 general intangibles of that kind. A person becomes a licensee  
6 in the ordinary course if the license to the person comports  
7 with the usual or customary practices in the kind of business  
8 in which the licensor is engaged or with the licensor's own  
9 usual or customary practices.

10 2. RIGHTS OF LICENSEE IN ORDINARY COURSE OF BUSINESS. A  
11 licensee in ordinary course of business takes its rights under  
12 a nonexclusive license free of a security interest in the  
13 general intangible created by the licensor, even if the  
14 security interest is perfected and the licensee knows of its  
15 existence.

16 3. RIGHTS OF LESSEE IN ORDINARY COURSE OF BUSINESS. A  
17 lessee in ordinary course of business takes its leasehold  
18 interest free of a security interest in the goods created by  
19 the lessor, even if the security interest is perfected and the  
20 lessee knows of its existence.

21 Sec. 42. NEW SECTION. 554.9322 PRIORITIES AMONG  
22 CONFLICTING SECURITY INTERESTS IN AND AGRICULTURAL LIENS ON  
23 SAME COLLATERAL.

24 1. GENERAL PRIORITY RULES. Except as otherwise provided  
25 in this section, priority among conflicting security interests  
26 and agricultural liens in the same collateral is determined  
27 according to the following rules:

28 a. Conflicting perfected security interests and  
29 agricultural liens rank according to priority in time of  
30 filing or perfection. Priority dates from the earlier of the  
31 time a filing covering the collateral is first made or the  
32 security interest or agricultural lien is first perfected, if  
33 there is no period thereafter when there is neither filing nor  
34 perfection.

35 b. A perfected security interest or agricultural lien has

1 priority over a conflicting unperfected security interest or  
2 agricultural lien.

3 c. The first security interest or agricultural lien to  
4 attach or become effective has priority if conflicting  
5 security interests and agricultural liens are unperfected.

6 2. TIME OF PERFECTION -- PROCEEDS AND SUPPORTING  
7 OBLIGATIONS. For the purposes of subsection 1, paragraph "a":

8 a. the time of filing or perfection as to a security  
9 interest in collateral is also the time of filing or  
10 perfection as to a security interest in proceeds; and

11 b. the time of filing or perfection as to a security  
12 interest in collateral supported by a supporting obligation is  
13 also the time of filing or perfection as to a security  
14 interest in the supporting obligation.

15 3. SPECIAL PRIORITY RULES -- PROCEEDS AND SUPPORTING  
16 OBLIGATIONS. Except as otherwise provided in subsection 6, a  
17 security interest in collateral which qualifies for priority  
18 over a conflicting security interest under section 554.9327,  
19 554.9328, 554.9329, 554.9330, or 554.9331 also has priority  
20 over a conflicting security interest in:

21 a. any supporting obligation for the collateral; and

22 b. proceeds of the collateral if:

23 (1) the security interest in proceeds is perfected;

24 (2) the proceeds are cash proceeds or of the same type as  
25 the collateral; and

26 (3) in the case of proceeds that are proceeds of proceeds,  
27 all intervening proceeds are cash proceeds, proceeds of the  
28 same type as the collateral, or an account relating to the  
29 collateral.

30 4. FIRST-TO-FILE PRIORITY RULE FOR CERTAIN COLLATERAL.

31 Subject to subsection 5 and except as otherwise provided in  
32 subsection 6, if a security interest in chattel paper, deposit  
33 accounts, negotiable documents, instruments, investment  
34 property, or letter-of-credit rights is perfected by a method  
35 other than filing, conflicting perfected security interests in

1 proceeds of the collateral rank according to priority in time  
2 of filing.

3 5. APPLICABILITY OF SUBSECTION 4. Subsection 4 applies  
4 only if the proceeds of the collateral are not cash proceeds,  
5 chattel paper, negotiable documents, instruments, investment  
6 property, or letter-of-credit rights.

7 6. LIMITATIONS ON SUBSECTIONS 1 THROUGH 5. Subsections 1  
8 through 5 are subject to:

9 a. subsection 7 and the other provisions of this part;

10 b. section 554.4210 with respect to a security interest of  
11 a collecting bank;

12 c. section 554.5118 with respect to a security interest of  
13 an issuer or nominated person; and

14 d. section 554.9110 with respect to a security interest  
15 arising under Article 2 or 13.

16 7. PRIORITY UNDER AGRICULTURAL LIEN STATUTE. A perfected  
17 agricultural lien on collateral has priority over a  
18 conflicting security interest in or agricultural lien on the  
19 same collateral if the statute creating the agricultural lien  
20 so provides.

21 Sec. 43. NEW SECTION. 554.9323 FUTURE ADVANCES.

22 1. WHEN PRIORITY BASED ON TIME OF ADVANCE. Except as  
23 otherwise provided in subsection 3, for purposes of  
24 determining the priority of a perfected security interest  
25 under section 554.9322, subsection 1, paragraph "a",  
26 perfection of the security interest dates from the time an  
27 advance is made to the extent that the security interest  
28 secures an advance that:

29 a. is made while the security interest is perfected only:

30 (1) under section 554.9309 when it attaches; or

31 (2) temporarily under section 554.9312, subsection 5, 6,  
32 or 7; and

33 b. is not made pursuant to a commitment entered into  
34 before or while the security interest is perfected by a method  
35 other than under section 554.9309 or 554.9312, subsection 5,

1 6, or 7.

2 2. LIEN CREDITOR. Except as otherwise provided in  
3 subsection 3, a security interest is subordinate to the rights  
4 of a person that becomes a lien creditor to the extent that  
5 the security interest secures an advance made more than forty-  
6 five days after the person becomes a lien creditor unless the  
7 advance is made:

8 a. without knowledge of the lien; or

9 b. pursuant to a commitment entered into without knowledge  
10 of the lien.

11 3. BUYER OF RECEIVABLES. Subsections 1 and 2 do not apply  
12 to a security interest held by a secured party that is a buyer  
13 of accounts, chattel paper, payment intangibles, or promissory  
14 notes or a consignor.

15 4. BUYER OF GOODS. Except as otherwise provided in  
16 subsection 5, a buyer of goods other than a buyer in ordinary  
17 course of business takes free of a security interest to the  
18 extent that it secures advances made after the earlier of:

19 a. the time the secured party acquires knowledge of the  
20 buyer's purchase; or

21 b. forty-five days after the purchase.

22 5. ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF  
23 BUYER OF GOODS. Subsection 4 does not apply if the advance is  
24 made pursuant to a commitment entered into without knowledge  
25 of the buyer's purchase and before the expiration of the  
26 forty-five-day period.

27 6. LESSEE OF GOODS. Except as otherwise provided in  
28 subsection 7, a lessee of goods, other than a lessee in  
29 ordinary course of business, takes the leasehold interest free  
30 of a security interest to the extent that it secures advances  
31 made after the earlier of:

32 a. the time the secured party acquires knowledge of the  
33 lease; or

34 b. forty-five days after the lease contract becomes  
35 enforceable.

1 7. ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF  
2 LESSEE OF GOODS. Subsection 6 does not apply if the advance  
3 is made pursuant to a commitment entered into without  
4 knowledge of the lease and before the expiration of the forty-  
5 five-day period.

6 Sec. 44. NEW SECTION. 554.9324 PRIORITY OF PURCHASE-  
7 MONEY SECURITY INTERESTS.

8 1. GENERAL RULE -- PURCHASE-MONEY PRIORITY. Except as  
9 otherwise provided in subsection 7, a perfected purchase-money  
10 security interest in goods other than inventory or livestock  
11 has priority over a conflicting security interest in the same  
12 goods, and, except as otherwise provided in section 554.9327,  
13 a perfected security interest in its identifiable proceeds  
14 also has priority, if the purchase-money security interest is  
15 perfected when the debtor receives possession of the  
16 collateral or within twenty days thereafter.

17 2. INVENTORY PURCHASE-MONEY PRIORITY. Subject to  
18 subsection 3 and except as otherwise provided in subsection 7,  
19 a perfected purchase-money security interest in inventory has  
20 priority over a conflicting security interest in the same  
21 inventory, has priority over a conflicting security interest  
22 in chattel paper or an instrument constituting proceeds of the  
23 inventory and in proceeds of the chattel paper, if so provided  
24 in section 554.9330, and, except as otherwise provided in  
25 section 554.9327, also has priority in identifiable cash  
26 proceeds of the inventory to the extent the identifiable cash  
27 proceeds are received on or before the delivery of the  
28 inventory to a buyer, if:

29 a. the purchase-money security interest is perfected when  
30 the debtor receives possession of the inventory;

31 b. the purchase-money secured party sends an authenticated  
32 notification to the holder of the conflicting security  
33 interest;

34 c. the holder of the conflicting security interest  
35 receives the notification within five years before the debtor

1 receives possession of the inventory; and

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

6 3. HOLDERS OF CONFLICTING INVENTORY SECURITY INTERESTS TO  
7 BE NOTIFIED. Subsection 2, paragraphs "b" through "d", apply  
8 only if the holder of the conflicting security interest had  
9 filed a financing statement covering the same types of  
10 inventory:

11 a. if the purchase-money security interest is perfected by  
12 filing, before the date of the filing; or

13 b. if the purchase-money security interest is temporarily  
14 perfected without filing or possession under section 554.9312,  
15 subsection 6, before the beginning of the twenty-day period  
16 thereunder.

17 4. LIVESTOCK PURCHASE-MONEY PRIORITY. Subject to  
18 subsection 5 and except as otherwise provided in subsection 7,  
19 a perfected purchase-money security interest in livestock that  
20 are farm products has priority over a conflicting security  
21 interest in the same livestock, and, except as otherwise  
22 provided in section 554.9327, a perfected security interest in  
23 their identifiable proceeds and identifiable products in their  
24 unmanufactured states also has priority, if:

25 a. the purchase-money security interest is perfected when  
26 the debtor receives possession of the livestock;

27 b. the purchase-money secured party sends an authenticated  
28 notification to the holder of the conflicting security  
29 interest;

30 c. the holder of the conflicting security interest  
31 receives the notification within six months before the debtor  
32 receives possession of the livestock; and

33 d. the notification states that the person sending the  
34 notification has or expects to acquire a purchase-money  
35 security interest in livestock of the debtor and describes the

1 livestock.

2 5. HOLDERS OF CONFLICTING LIVESTOCK SECURITY INTERESTS TO  
3 BE NOTIFIED. Subsection 4, paragraphs "b" through "d", apply  
4 only if the holder of the conflicting security interest had  
5 filed a financing statement covering the same types of  
6 livestock:

7 a. if the purchase-money security interest is perfected by  
8 filing, before the date of the filing; or

9 b. if the purchase-money security interest is temporarily  
10 perfected without filing or possession under section 554.9312,  
11 subsection 6, before the beginning of the twenty-day period  
12 thereunder.

13 6. SOFTWARE PURCHASE-MONEY PRIORITY. Except as otherwise  
14 provided in subsection 7, a perfected purchase-money security  
15 interest in software has priority over a conflicting security  
16 interest in the same collateral, and, except as otherwise  
17 provided in section 554.9327, a perfected security interest in  
18 its identifiable proceeds also has priority, to the extent  
19 that the purchase-money security interest in the goods in  
20 which the software was acquired for use has priority in the  
21 goods and proceeds of the goods under this section.

22 7. CONFLICTING PURCHASE-MONEY SECURITY INTERESTS. If more  
23 than one security interest qualifies for priority in the same  
24 collateral under subsection 1, 2, 4, or 6:

25 a. a security interest securing an obligation incurred as  
26 all or part of the price of the collateral has priority over a  
27 security interest securing an obligation incurred for value  
28 given to enable the debtor to acquire rights in or the use of  
29 collateral; and

30 b. in all other cases, section 554.9322, subsection 1,  
31 applies to the qualifying security interests.

32 Sec. 45. NEW SECTION. 554.9325 PRIORITY OF SECURITY  
33 INTERESTS IN TRANSFERRED COLLATERAL.

34 1. SUBORDINATION OF SECURITY INTEREST IN TRANSFERRED  
35 COLLATERAL. Except as otherwise provided in subsection 2, a



1 security interest created by a debtor is subordinate to a  
2 security interest in the same collateral created by another  
3 person if:

- 4 a. the debtor acquired the collateral subject to the  
5 security interest created by the other person;
- 6 b. the security interest created by the other person was  
7 perfected when the debtor acquired the collateral; and
- 8 c. there is no period thereafter when the security  
9 interest is unperfected.

10 2. LIMITATION OF SUBSECTION 1 SUBORDINATION. Subsection 1  
11 subordinates a security interest only if the security  
12 interest:

- 13 a. otherwise would have priority solely under section  
14 554.9322, subsection 1, or section 554.9324; or
- 15 b. arose solely under section 554.2711, subsection 3, or  
16 section 554.13508, subsection 5.

17 Sec. 46. NEW SECTION. 554.9326 PRIORITY OF SECURITY  
18 INTERESTS CREATED BY NEW DEBTOR.

19 1. SUBORDINATION OF SECURITY INTEREST CREATED BY NEW  
20 DEBTOR. Subject to subsection 2, a security interest created  
21 by a new debtor which is perfected by a filed financing  
22 statement that is effective solely under section 554.9508 in  
23 collateral in which a new debtor has or acquires rights is  
24 subordinate to a security interest in the same collateral  
25 which is perfected other than by a filed financing statement  
26 that is effective solely under section 554.9508.

27 2. PRIORITY UNDER OTHER PROVISIONS -- MULTIPLE ORIGINAL  
28 DEBTORS. The other provisions of this part determine the  
29 priority among conflicting security interests in the same  
30 collateral perfected by filed financing statements that are  
31 effective solely under section 554.9508. However, if the  
32 security agreements to which a new debtor became bound as  
33 debtor were not entered into by the same original debtor, the  
34 conflicting security interests rank according to priority in  
35 time of the new debtor's having become bound.

1     Sec. 47. NEW SECTION. 554.9327 PRIORITY OF SECURITY  
2 INTERESTS IN DEPOSIT ACCOUNT.

3     The following rules govern priority among conflicting  
4 security interests in the same deposit account:

5     1. A security interest held by a secured party having  
6 control of the deposit account under section 554.9104 has  
7 priority over a conflicting security interest held by a  
8 secured party that does not have control.

9     2. Except as otherwise provided in subsections 3 and 4,  
10 security interests perfected by control under section 554.9314  
11 rank according to priority in time of obtaining control.

12     3. Except as otherwise provided in subsection 4, a  
13 security interest held by the bank with which the deposit  
14 account is maintained has priority over a conflicting security  
15 interest held by another secured party.

16     4. A security interest perfected by control under section  
17 554.9104, subsection 1, paragraph "c", has priority over a  
18 security interest held by the bank with which the deposit  
19 account is maintained.

20     Sec. 48. NEW SECTION. 554.9328 PRIORITY OF SECURITY  
21 INTERESTS IN INVESTMENT PROPERTY.

22     The following rules govern priority among conflicting  
23 security interests in the same investment property:

24     1. A security interest held by a secured party having  
25 control of investment property under section 554.9106 has  
26 priority over a security interest held by a secured party that  
27 does not have control of the investment property.

28     2. Except as otherwise provided in subsections 3 and 4,  
29 conflicting security interests held by secured parties each of  
30 which has control under section 554.9106 rank according to  
31 priority in time of:

32     a. if the collateral is a security, obtaining control;

33     b. if the collateral is a security entitlement carried in  
34 a securities account and:

35     (1) if the secured party obtained control under section

1 554.8106, subsection 4, paragraph "a", the secured party's  
2 becoming the person for which the securities account is  
3 maintained;

4 (2) if the secured party obtained control under section  
5 554.8106, subsection 4, paragraph "b", the securities  
6 intermediary's agreement to comply with the secured party's  
7 entitlement orders with respect to security entitlements  
8 carried or to be carried in the securities account; or

9 (3) if the secured party obtained control through another  
10 person under section 554.8106, subsection 4, paragraph "b",  
11 the time on which priority would be based under this  
12 subsection if the other person were the secured party; or

13 c. if the collateral is a commodity contract carried with  
14 a commodity intermediary, the satisfaction of the requirement  
15 for control specified in section 554.9106, subsection 2,  
16 paragraph "b", with respect to commodity contracts carried or  
17 to be carried with the commodity intermediary.

18 3. A security interest held by a securities intermediary  
19 in a security entitlement or a securities account maintained  
20 with the securities intermediary has priority over a  
21 conflicting security interest held by another secured party.

22 4. A security interest held by a commodity intermediary in  
23 a commodity contract or a commodity account maintained with  
24 the commodity intermediary has priority over a conflicting  
25 security interest held by another secured party.

26 5. A security interest in a certificated security in  
27 registered form which is perfected by taking delivery under  
28 section 554.9313, subsection 1, and not by control under  
29 section 554.9314 has priority over a conflicting security  
30 interest perfected by a method other than control.

31 6. Conflicting security interests created by a broker,  
32 securities intermediary, or commodity intermediary which are  
33 perfected without control under section 554.9106 rank equally.

34 7. In all other cases, priority among conflicting security  
35 interests in investment property is governed by sections

1 554.9322 and 554.9323.

2 Sec. 49. NEW SECTION. 554.9329 PRIORITY OF SECURITY  
3 INTERESTS IN LETTER-OF-CREDIT RIGHT.

4 The following rules govern priority among conflicting  
5 security interests in the same letter-of-credit right:

6 1. A security interest held by a secured party having  
7 control of the letter-of-credit right under section 554.9107  
8 has priority to the extent of its control over a conflicting  
9 security interest held by a secured party that does not have  
10 control.

11 2. Security interests perfected by control under section  
12 554.9314 rank according to priority in time of obtaining  
13 control.

14 Sec. 50. NEW SECTION. 554.9330 PRIORITY OF PURCHASER OF  
15 CHATTEL PAPER OR INSTRUMENT.

16 1. PURCHASER'S PRIORITY -- SECURITY INTEREST CLAIMED  
17 MERELY AS PROCEEDS. A purchaser of chattel paper has priority  
18 over a security interest in the chattel paper which is claimed  
19 merely as proceeds of inventory subject to a security interest  
20 if:

21 a. in good faith and in the ordinary course of the  
22 purchaser's business, the purchaser gives new value and takes  
23 possession of the chattel paper or obtains control of the  
24 chattel paper under section 554.9105; and

25 b. the chattel paper does not indicate that it has been  
26 assigned to an identified assignee other than the purchaser.

27 2. PURCHASER'S PRIORITY -- OTHER SECURITY INTERESTS. A  
28 purchaser of chattel paper has priority over a security  
29 interest in the chattel paper which is claimed other than  
30 merely as proceeds of inventory subject to a security interest  
31 if the purchaser gives new value and takes possession of the  
32 chattel paper or obtains control of the chattel paper under  
33 section 554.9105 in good faith, in the ordinary course of the  
34 purchaser's business, and without knowledge that the purchase  
35 violates the rights of the secured party.

1 3. CHATTEL PAPER PURCHASER'S PRIORITY IN PROCEEDS. Except  
2 as otherwise provided in section 554.9327, a purchaser having  
3 priority in chattel paper under subsection 1 or 2 also has  
4 priority in proceeds of the chattel paper to the extent that:

5 a. section 554.9322 provides for priority in the proceeds;  
6 or

7 b. the proceeds consist of the specific goods covered by  
8 the chattel paper or cash proceeds of the specific goods, even  
9 if the purchaser's security interest in the proceeds is  
10 unperfected.

11 4. INSTRUMENT PURCHASER'S PRIORITY. Except as otherwise  
12 provided in section 554.9331, subsection 1, a purchaser of an  
13 instrument has priority over a security interest in the  
14 instrument perfected by a method other than possession if the  
15 purchaser gives value and takes possession of the instrument  
16 in good faith and without knowledge that the purchase violates  
17 the rights of the secured party.

18 5. HOLDER OF PURCHASE-MONEY SECURITY INTEREST GIVES NEW  
19 VALUE. For purposes of subsections 1 and 2, the holder of a  
20 purchase-money security interest in inventory gives new value  
21 for chattel paper constituting proceeds of the inventory.

22 6. INDICATION OF ASSIGNMENT GIVES KNOWLEDGE. For purposes  
23 of subsections 2 and 4, if chattel paper or an instrument  
24 indicates that it has been assigned to an identified secured  
25 party other than the purchaser, a purchaser of the chattel  
26 paper or instrument has knowledge that the purchase violates  
27 the rights of the secured party.

28 Sec. 51. NEW SECTION. 554.9331 PRIORITY OF RIGHTS OF  
29 PURCHASERS OF INSTRUMENTS, DOCUMENTS, AND SECURITIES UNDER  
30 OTHER ARTICLES -- PRIORITY OF INTERESTS IN FINANCIAL ASSETS  
31 AND SECURITY ENTITLEMENTS UNDER ARTICLE 8.

32 1. RIGHTS UNDER ARTICLES 3, 7, AND 8 NOT LIMITED. This  
33 Article does not limit the rights of a holder in due course of  
34 a negotiable instrument, a holder to which a negotiable  
35 document of title has been duly negotiated, or a protected

1 purchaser of a security. These holders or purchasers take  
2 priority over an earlier security interest, even if perfected,  
3 to the extent provided in Articles 3, 7, and 8.

4 2. PROTECTION UNDER ARTICLE 8. This Article does not  
5 limit the rights of or impose liability on a person to the  
6 extent that the person is protected against the assertion of a  
7 claim under Article 8.

8 3. FILING NOT NOTICE. Filing under this Article does not  
9 constitute notice of a claim or defense to the holders, or  
10 purchasers, or persons described in subsections 1 and 2.

11 Sec. 52. NEW SECTION. 554.9332 TRANSFER OF MONEY --  
12 TRANSFER OF FUNDS FROM DEPOSIT ACCOUNT.

13 1. TRANSFEREE OF MONEY. A transferee of money takes the  
14 money free of a security interest unless the transferee acts  
15 in collusion with the debtor in violating the rights of the  
16 secured party.

17 2. TRANSFEREE OF FUNDS FROM DEPOSIT ACCOUNT. A transferee  
18 of funds from a deposit account takes the funds free of a  
19 security interest in the deposit account unless the transferee  
20 acts in collusion with the debtor in violating the rights of  
21 the secured party.

22 Sec. 53. NEW SECTION. 554.9333 PRIORITY OF CERTAIN LIENS  
23 ARISING BY OPERATION OF LAW.

24 1. POSSESSORY LIEN. In this section, "possessory lien"  
25 means an interest, other than a security interest or an  
26 agricultural lien:

27 a. which secures payment or performance of an obligation  
28 for services or materials furnished with respect to goods by a  
29 person in the ordinary course of the person's business;

30 b. which is created by statute or rule of law in favor of  
31 the person; and

32 c. whose effectiveness depends on the person's possession  
33 of the goods.

34 2. PRIORITY OF POSSESSORY LIEN. A possessory lien on  
35 goods has priority over a security interest in the goods

1 unless the lien is created by a statute that expressly  
2 provides otherwise.

3 Sec. 54. NEW SECTION. 554.9334 PRIORITY OF SECURITY  
4 INTERESTS IN FIXTURES AND CROPS.

5 1. SECURITY INTEREST IN FIXTURES UNDER THIS ARTICLE. A  
6 security interest under this Article may be created in goods  
7 that are fixtures or may continue in goods that become  
8 fixtures. A security interest does not exist under this  
9 Article in ordinary building materials incorporated into an  
10 improvement on land.

11 2. SECURITY INTEREST IN FIXTURES UNDER REAL-PROPERTY LAW.  
12 This Article does not prevent creation of an encumbrance upon  
13 fixtures under real property law.

14 3. GENERAL RULE -- SUBORDINATION OF SECURITY INTEREST IN  
15 FIXTURES. In cases not governed by subsections 4 through 8, a  
16 security interest in fixtures is subordinate to a conflicting  
17 interest of an encumbrancer or owner of the related real  
18 property other than the debtor.

19 4. FIXTURES PURCHASE-MONEY PRIORITY. Except as otherwise  
20 provided in subsection 8, a perfected security interest in  
21 fixtures has priority over a conflicting interest of an  
22 encumbrancer or owner of the real property if the debtor has  
23 an interest of record in or is in possession of the real  
24 property and:

25 a. the security interest is a purchase-money security  
26 interest;

27 b. the interest of the encumbrancer or owner arises before  
28 the goods become fixtures; and

29 c. the security interest is perfected by a fixture filing  
30 before the goods become fixtures or within twenty days  
31 thereafter.

32 5. PRIORITY OF SECURITY INTEREST IN FIXTURES OVER  
33 INTERESTS IN REAL PROPERTY. A perfected security interest in  
34 fixtures has priority over a conflicting interest of an  
35 encumbrancer or owner of the real property if:

1 a. the debtor has an interest of record in the real  
2 property or is in possession of the real property and the  
3 security interest:

4 (1) is perfected by a fixture filing before the interest  
5 of the encumbrancer or owner is of record; and

6 (2) has priority over any conflicting interest of a  
7 predecessor in title of the encumbrancer or owner;

8 b. before the goods become fixtures, the security interest  
9 is perfected by any method permitted by this Article and the  
10 fixtures are readily removable:

11 (1) factory or office machines;

12 (2) equipment that is not primarily used or leased for use  
13 in the operation of the real property; or

14 (3) replacements of domestic appliances that are consumer  
15 goods;

16 c. the conflicting interest is a lien on the real property  
17 obtained by legal or equitable proceedings after the security  
18 interest was perfected by any method permitted by this  
19 Article; or

20 d. the security interest is:

21 (1) created in a manufactured home in a manufactured-home  
22 transaction; and

23 (2) perfected pursuant to a statute described in section  
24 554.9311, subsection 1, paragraph "b".

25 6. PRIORITY BASED ON CONSENT, DISCLAIMER, OR RIGHT TO  
26 REMOVE. A security interest in fixtures, whether or not  
27 perfected, has priority over a conflicting interest of an  
28 encumbrancer or owner of the real property if:

29 a. the encumbrancer or owner has, in an authenticated  
30 record, consented to the security interest or disclaimed an  
31 interest in the goods as fixtures; or

32 b. the debtor has a right to remove the goods as against  
33 the encumbrancer or owner.

34 7. CONTINUATION OF SUBSECTION 6, PARAGRAPH "b", PRIORITY.

35 The priority of the security interest under subsection 6,



1 paragraph "b", continues for a reasonable time if the debtor's  
2 right to remove the goods as against the encumbrancer or owner  
3 terminates.

4 8. PRIORITY OF CONSTRUCTION MORTGAGE. A mortgage is a  
5 construction mortgage to the extent that it secures an  
6 obligation incurred for the construction of an improvement on  
7 land, including the acquisition cost of the land, if a  
8 recorded record of the mortgage so indicates. Except as  
9 otherwise provided in subsections 5 and 6, a security interest  
10 in fixtures is subordinate to a construction mortgage if a  
11 record of the mortgage is recorded before the goods become  
12 fixtures and the goods become fixtures before the completion  
13 of the construction. A mortgage has this priority to the same  
14 extent as a construction mortgage to the extent that it is  
15 given to refinance a construction mortgage.

16 9. PRIORITY OF SECURITY INTEREST IN CROPS. A perfected  
17 security interest in crops growing on real property has  
18 priority over a conflicting interest of an encumbrancer or  
19 owner of the real property if the debtor has an interest of  
20 record in or is in possession of the real property.

21 10. SUBSECTION 9 PREVAILS. Subsection 9 prevails over any  
22 inconsistent provisions of chapter 570.

23 Sec. 55. NEW SECTION. 554.9335 ACCESSIONS.

24 1. CREATION OF SECURITY INTEREST IN ACCESSION. A security  
25 interest may be created in an accession and continues in  
26 collateral that becomes an accession.

27 2. PERFECTION OF SECURITY INTEREST. If a security  
28 interest is perfected when the collateral becomes an  
29 accession, the security interest remains perfected in the  
30 collateral.

31 3. PRIORITY OF SECURITY INTEREST. Except as otherwise  
32 provided in subsection 4, the other provisions of this part  
33 determine the priority of a security interest in an accession.

34 4. COMPLIANCE WITH CERTIFICATE-OF-TITLE STATUTE. A  
35 security interest in an accession is subordinate to a security

1 interest in the whole which is perfected by compliance with  
2 the requirements of a certificate-of-title statute under  
3 section 54.9311, subsection 2.

4 5. REMOVAL OF ACCESSION AFTER DEFAULT. After default,  
5 subject to part 6, a secured party may remove an accession  
6 from other goods if the security interest in the accession has  
7 priority over the claims of every person having an interest in  
8 the whole.

9 6. REIMBURSEMENT FOLLOWING REMOVAL. A secured party that  
10 removes an accession from other goods under subsection 5 shall  
11 promptly reimburse any holder of a security interest or other  
12 lien on, or owner of, the whole or of the other goods, other  
13 than the debtor, for the cost of repair of any physical injury  
14 to the whole or the other goods. The secured party need not  
15 reimburse the holder or owner for any diminution in value of  
16 the whole or the other goods caused by the absence of the  
17 accession removed or by any necessity for replacing it. A  
18 person entitled to reimbursement may refuse permission to  
19 remove until the secured party gives adequate assurance for  
20 the performance of the obligation to reimburse.

21 Sec. 56. NEW SECTION. 54.9336 COMMINGLED GOODS.

22 1. COMMINGLED GOODS. In this section, "commingled goods"  
23 means goods that are physically united with other goods in  
24 such a manner that their identity is lost in a product or  
25 mass.

26 2. NO SECURITY INTEREST IN COMMINGLED GOODS AS SUCH. A  
27 security interest does not exist in commingled goods as such.  
28 However, a security interest may attach to a product or mass  
29 that results when goods become commingled goods.

30 3. ATTACHMENT OF SECURITY INTEREST TO PRODUCT OR MASS. If  
31 collateral becomes commingled goods, a security interest  
32 attaches to the product or mass.

33 4. PERFECTION OF SECURITY INTEREST. If a security  
34 interest in collateral is perfected before the collateral  
35 becomes commingled goods, the security interest that attaches

1 to the product or mass under subsection 3 is perfected.

2 5. PRIORITY OF SECURITY INTEREST. Except as otherwise  
3 provided in subsection 6, the other provisions of this part  
4 determine the priority of a security interest that attaches to  
5 the product or mass under subsection 3.

6 6. CONFLICTING SECURITY INTERESTS IN PRODUCT OR MASS. If  
7 more than one security interest attaches to the product or  
8 mass under subsection 3, the following rules determine  
9 priority:

10 a. A security interest that is perfected under subsection  
11 4 has priority over a security interest that is unperfected at  
12 the time the collateral becomes commingled goods.

13 b. If more than one security interest is perfected under  
14 subsection 4, the security interests rank equally in  
15 proportion to the value of the collateral at the time it  
16 became commingled goods.

17 Sec. 57. NEW SECTION. 554.9337 PRIORITY OF SECURITY  
18 INTERESTS IN GOODS COVERED BY CERTIFICATE OF TITLE.

19 If, while a security interest in goods is perfected by any  
20 method under the law of another jurisdiction, this state  
21 issues a certificate of title that does not show that the  
22 goods are subject to the security interest or contain a  
23 statement that they may be subject to security interests not  
24 shown on the certificate:

25 1. a buyer of the goods, other than a person in the  
26 business of selling goods of that kind, takes free of the  
27 security interest if the buyer gives value and receives  
28 delivery of the goods after issuance of the certificate and  
29 without knowledge of the security interest; and

30 2. the security interest is subordinate to a conflicting  
31 security interest in the goods that attaches, and is perfected  
32 under section 554.9311, subsection 2, after issuance of the  
33 certificate and without the conflicting secured party's  
34 knowledge of the security interest.

35 Sec. 58. NEW SECTION. 554.9338 PRIORITY OF SECURITY

1 INTEREST OR AGRICULTURAL LIEN PERFECTED BY FILED FINANCING  
2 STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION.

3 If a security interest or agricultural lien is perfected by  
4 a filed financing statement providing information described in  
5 section 554.9516, subsection 2, paragraph "e", which is  
6 incorrect at the time the financing statement is filed:

7 1. the security interest or agricultural lien is  
8 subordinate to a conflicting perfected security interest in  
9 the collateral to the extent that the holder of the  
10 conflicting security interest gives value in reasonable  
11 reliance upon the incorrect information; and

12 2. a purchaser, other than a secured party, of the  
13 collateral takes free of the security interest or agricultural  
14 lien to the extent that, in reasonable reliance upon the  
15 incorrect information, the purchaser gives value and, in the  
16 case of chattel paper, documents, goods, instruments, or a  
17 security certificate, receives delivery of the collateral.

18 Sec. 59. NEW SECTION. 554.9339 PRIORITY SUBJECT TO  
19 SUBORDINATION.

20 This Article does not preclude subordination by agreement  
21 by a person entitled to priority.

22 D. RIGHTS OF BANK

23 Sec. 60. NEW SECTION. 554.9340 EFFECTIVENESS OF RIGHT OF  
24 RECOUPMENT OR SETOFF AGAINST DEPOSIT ACCOUNT.

25 1. EXERCISE OF RECOUPMENT OR SETOFF. Except as otherwise  
26 provided in subsection 3, a bank with which a deposit account  
27 is maintained may exercise any right of recoupment or setoff  
28 against a secured party that holds a security interest in the  
29 deposit account.

30 2. RECOUPMENT OR SETOFF NOT AFFECTED BY SECURITY INTEREST.  
31 Except as otherwise provided in subsection 3, the application  
32 of this Article to a security interest in a deposit account  
33 does not affect a right of recoupment or setoff of the secured  
34 party as to a deposit account maintained with the secured  
35 party.

1 3. WHEN SETOFF INEFFECTIVE. The exercise by a bank of a  
2 setoff against a deposit account is ineffective against a  
3 secured party that holds a security interest in the deposit  
4 account which is perfected by control under section 554.9104,  
5 subsection 1, paragraph "c", if the setoff is based on a claim  
6 against the debtor.

7 Sec. 61. NEW SECTION. 554.9341 BANK'S RIGHTS AND DUTIES  
8 WITH RESPECT TO DEPOSIT ACCOUNT.

9 Except as otherwise provided in section 554.9340,  
10 subsection 3, and unless the bank otherwise agrees in an  
11 authenticated record, a bank's rights and duties with respect  
12 to a deposit account maintained with the bank are not  
13 terminated, suspended, or modified by:

- 14 1. the creation, attachment, or perfection of a security  
15 interest in the deposit account;
- 16 2. the bank's knowledge of the security interest; or
- 17 3. the bank's receipt of instructions from the secured  
18 party.

19 Sec. 62. NEW SECTION. 554.9342 BANK'S RIGHT TO REFUSE TO  
20 ENTER INTO OR DISCLOSE EXISTENCE OF CONTROL AGREEMENT.

21 This Article does not require a bank to enter into an  
22 agreement of the kind described in section 554.9104,  
23 subsection 1, paragraph "b", even if its customer so requests  
24 or directs. A bank that has entered into such an agreement is  
25 not required to confirm the existence of the agreement to  
26 another person unless requested to do so by its customer.

27 PART 4

28 RIGHTS OF THIRD PARTIES

29 Sec. 63. NEW SECTION. 554.9401 ALIENABILITY OF DEBTOR'S  
30 RIGHTS.

31 1. OTHER LAW GOVERNS ALIENABILITY -- EXCEPTIONS. Except  
32 as otherwise provided in subsection 2 and sections 554.9406,  
33 554.9407, 554.9408, and 554.9409, whether a debtor's rights in  
34 collateral may be voluntarily or involuntarily transferred is  
35 governed by law other than this Article.

1 2. AGREEMENT DOES NOT PREVENT TRANSFER. An agreement  
2 between the debtor and secured party which prohibits a  
3 transfer of the debtor's rights in collateral or makes the  
4 transfer a default does not prevent the transfer from taking  
5 effect.

6 Sec. 64. NEW SECTION. 554.9402 SECURED PARTY NOT  
7 OBLIGATED ON CONTRACT OF DEBTOR OR IN TORT.

8 The existence of a security interest, agricultural lien, or  
9 authority given to a debtor to dispose of or use collateral,  
10 without more, does not subject a secured party to liability in  
11 contract or tort for the debtor's acts or omissions.

12 Sec. 65. NEW SECTION. 554.9403 AGREEMENT NOT TO ASSERT  
13 DEFENSES AGAINST ASSIGNEE.

14 1. VALUE. In this section, "value" has the meaning  
15 provided in section 554.3303, subsection 1.

16 2. AGREEMENT NOT TO ASSERT CLAIM OR DEFENSE. Except as  
17 otherwise provided in this section, an agreement between an  
18 account debtor and an assignor not to assert against an  
19 assignee any claim or defense that the account debtor may have  
20 against the assignor is enforceable by an assignee that takes  
21 an assignment:

22 a. for value;

23 b. in good faith;

24 c. without notice of a claim of a property or possessory  
25 right to the property assigned; and

26 d. without notice of a defense or claim in recoupment of  
27 the type that may be asserted against a person entitled to  
28 enforce a negotiable instrument under section 554.3305,  
29 subsection 1.

30 3. WHEN SUBSECTION 2 NOT APPLICABLE. Subsection 2 does  
31 not apply to defenses of a type that may be asserted against a  
32 holder in due course of a negotiable instrument under section  
33 554.3305, subsection 2.

34 4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION.  
35 In a consumer transaction, if a record evidences the account

1 debtor's obligation, law other than this Article requires that  
2 the record include a statement to the effect that the rights  
3 of an assignee are subject to claims or defenses that the  
4 account debtor could assert against the original obligee, and  
5 the record does not include such a statement:

6 a. the record has the same effect as if the record  
7 included such a statement; and

8 b. the account debtor may assert against an assignee those  
9 claims and defenses that would have been available if the  
10 record included such a statement.

11 5. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
12 subject to law other than this Article which establishes a  
13 different rule for an account debtor who is an individual and  
14 who incurred the obligation primarily for personal, family, or  
15 household purposes.

16 6. OTHER LAW NOT DISPLACED. Except as otherwise provided  
17 in subsection 4, this section does not displace law other than  
18 this Article which gives effect to an agreement by an account  
19 debtor not to assert a claim or defense against an assignee.

20 Sec. 66. NEW SECTION. 554.9404 RIGHTS ACQUIRED BY  
21 ASSIGNEE -- CLAIMS AND DEFENSES AGAINST ASSIGNEE.

22 1. ASSIGNEE'S RIGHTS SUBJECT TO TERMS, CLAIMS, AND  
23 DEFENSES -- EXCEPTIONS. Unless an account debtor has made an  
24 enforceable agreement not to assert defenses or claims, and  
25 subject to subsections 2 through 5, the rights of an assignee  
26 are subject to:

27 a. all terms of the agreement between the account debtor  
28 and assignor and any defense or claim in recoupment arising  
29 from the transaction that gave rise to the contract; and

30 b. any other defense or claim of the account debtor  
31 against the assignor which accrues before the account debtor  
32 receives a notification of the assignment authenticated by the  
33 assignor or the assignee.

34 2. ACCOUNT DEBTOR'S CLAIM REDUCES AMOUNT OWED TO ASSIGNEE.  
35 Subject to subsection 3 and except as otherwise provided in

1 subsection 4, the claim of an account debtor against an  
2 assignor may be asserted against an assignee under subsection  
3 1 only to reduce the amount the account debtor owes.

4 3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
5 subject to law other than this Article which establishes a  
6 different rule for an account debtor who is an individual and  
7 who incurred the obligation primarily for personal, family, or  
8 household purposes.

9 4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION.  
10 In a consumer transaction, if a record evidences the account  
11 debtor's obligation, law other than this Article requires that  
12 the record include a statement to the effect that the account  
13 debtor's recovery against an assignee with respect to claims  
14 and defenses against the assignor may not exceed amounts paid  
15 by the account debtor under the record, and the record does  
16 not include such a statement, the extent to which a claim of  
17 an account debtor against the assignor may be asserted against  
18 an assignee is determined as if the record included such a  
19 statement.

20 5. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.  
21 This section does not apply to an assignment of a health-care-  
22 insurance receivable.

23 Sec. 67. NEW SECTION. 554.9405 MODIFICATION OF ASSIGNED  
24 CONTRACT.

25 1. EFFECT OF MODIFICATION ON ASSIGNEE. A modification of  
26 or substitution for an assigned contract is effective against  
27 an assignee if made in good faith. The assignee acquires  
28 corresponding rights under the modified or substituted  
29 contract. The assignment may provide that the modification or  
30 substitution is a breach of contract by the assignor. This  
31 subsection is subject to subsections 2 through 4.

32 2. APPLICABILITY OF SUBSECTION 1. Subsection 1 applies to  
33 the extent that:

34 a. the right to payment or a part thereof under an  
35 assigned contract has not been fully earned by performance; or



1 b. the right to payment or a part thereof has been fully  
2 earned by performance and the account debtor has not received  
3 notification of the assignment under section 554.9406,  
4 subsection 1.

5 3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
6 subject to law other than this Article which establishes a  
7 different rule for an account debtor who is an individual and  
8 who incurred the obligation primarily for personal, family, or  
9 household purposes.

10 4. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.  
11 This section does not apply to an assignment of a health-care-  
12 insurance receivable.

13 Sec. 68. NEW SECTION. 554.9406 DISCHARGE OF ACCOUNT  
14 DEBTOR -- NOTIFICATION OF ASSIGNMENT -- IDENTIFICATION AND  
15 PROOF OF ASSIGNMENT -- RESTRICTIONS ON ASSIGNMENT OF ACCOUNTS,  
16 CHATTEL PAPER, PAYMENT INTANGIBLES, AND PROMISSORY NOTES  
17 INEFFECTIVE.

18 1. DISCHARGE OF ACCOUNT DEBTOR -- EFFECT OF NOTIFICATION.  
19 Subject to subsections 2 through 9, an account debtor on an  
20 account, chattel paper, or a payment intangible may discharge  
21 its obligation by paying the assignor until, but not after,  
22 the account debtor receives a notification, authenticated by  
23 the assignor or the assignee, that the amount due or to become  
24 due has been assigned and that payment is to be made to the  
25 assignee. After receipt of the notification, the account  
26 debtor may discharge its obligation by paying the assignee and  
27 may not discharge the obligation by paying the assignor.

28 2. WHEN NOTIFICATION INEFFECTIVE. Subject to subsection  
29 8, notification is ineffective under subsection 1:

30 a. if it does not reasonably identify the rights assigned;

31 b. to the extent that an agreement between an account  
32 debtor and a seller of a payment intangible limits the account  
33 debtor's duty to pay a person other than the seller and the  
34 limitation is effective under law other than this Article; or

35 c. at the option of an account debtor, if the notification

1 notifies the account debtor to make less than the full amount  
2 of any installment or other periodic payment to the assignee,  
3 even if:

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

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

7 (3) the account debtor knows that the assignment to that  
8 assignee is limited.

9 3. PROOF OF ASSIGNMENT. Subject to subsection 8, if  
10 requested by the account debtor, an assignee shall seasonably  
11 furnish reasonable proof that the assignment has been made.  
12 Unless the assignee complies, the account debtor may discharge  
13 its obligation by paying the assignor, even if the account  
14 debtor has received a notification under subsection 1.

15 4. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.  
16 Except as otherwise provided in subsection 5 and sections  
17 554.9407 and 554.13303, and subject to subsection 8, a term in  
18 an agreement between an account debtor and an assignor or in a  
19 promissory note is ineffective to the extent that it:

20 a. prohibits, restricts, or requires the consent of the  
21 account debtor or person obligated on the promissory note to  
22 the assignment or transfer of, or the creation, attachment,  
23 perfection, or enforcement of a security interest in, the  
24 account, chattel paper, payment intangible, or promissory  
25 note; or

26 b. provides that the assignment or transfer or the  
27 creation, attachment, perfection, or enforcement of the  
28 security interest may give rise to a default, breach, right of  
29 recoupment, claim, defense, termination, right of termination,  
30 or remedy under the account, chattel paper, payment  
31 intangible, or promissory note.

32 5. INAPPLICABILITY OF SUBSECTION 4 TO CERTAIN SALES.

33 Subsection 4 does not apply to the sale of a payment  
34 intangible or promissory note.

35 6. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.

1 Except as otherwise provided in sections 554.9407 and  
2 554.13303 and subject to subsections 8 and 9, a rule of law,  
3 statute, or regulation that prohibits, restricts, or requires  
4 the consent of a government, governmental body or official, or  
5 account debtor to the assignment or transfer of, or creation  
6 of a security interest in, an account or chattel paper is  
7 ineffective to the extent that the rule of law, statute, or  
8 regulation:

9 a. prohibits, restricts, or requires the consent of the  
10 government, governmental body or official, or account debtor  
11 to the assignment or transfer of, or the creation, attachment,  
12 perfection, or enforcement of a security interest in the  
13 account or chattel paper; or

14 b. provides that the assignment or transfer or the  
15 creation, attachment, perfection, or enforcement of the  
16 security interest may give rise to a default, breach, right of  
17 recoupment, claim, defense, termination, right of termination,  
18 or remedy under the account or chattel paper.

19 7. SUBSECTION 2, PARAGRAPH "C", NOT WAIVABLE. Subject to  
20 subsection 8, an account debtor may not waive or vary its  
21 option under subsection 2, paragraph "c".

22 8. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is  
23 subject to law other than this Article which establishes a  
24 different rule for an account debtor who is an individual and  
25 who incurred the obligation primarily for personal, family, or  
26 household purposes.

27 9. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.  
28 This section does not apply to an assignment of a health-care-  
29 insurance receivable.

30 10. SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW.  
31 This section prevails over any inconsistent provision of an  
32 existing or future statute, rule, or regulation of this state  
33 unless the provision is contained in a statute of this state,  
34 refers expressly to this section, and states that the  
35 provision prevails over this section.

1     Sec. 69. NEW SECTION. 554.9407 RESTRICTIONS ON CREATION  
2 OR ENFORCEMENT OF SECURITY INTEREST IN LEASEHOLD INTEREST OR  
3 IN LESSOR'S RESIDUAL INTEREST.

4     1. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.

5 Except as otherwise provided in subsection 2, a term in a  
6 lease agreement is ineffective to the extent that it:

7     a. prohibits, restricts, or requires the consent of a  
8 party to the lease to the assignment or transfer of, or the  
9 creation, attachment, perfection, or enforcement of a security  
10 interest in, an interest of a party under the lease contract  
11 or in the lessor's residual interest in the goods; or

12     b. provides that the assignment or transfer or the  
13 creation, attachment, perfection, or enforcement of the  
14 security interest may give rise to a default, breach, right of  
15 recoupment, claim, defense, termination, right of termination,  
16 or remedy under the lease.

17     2. EFFECTIVENESS OF CERTAIN TERMS. Except as otherwise  
18 provided in section 554.13303, subsection 7, a term described  
19 in subsection 1, paragraph "b", is effective to the extent  
20 that there is:

21     a. a transfer by the lessee of the lessee's right of  
22 possession or use of the goods in violation of the term; or

23     b. a delegation of a material performance of either party  
24 to the lease contract in violation of the term.

25     3. SECURITY INTEREST NOT MATERIAL IMPAIRMENT. The  
26 creation, attachment, perfection, or enforcement of a security  
27 interest in the lessor's interest under the lease contract or  
28 the lessor's residual interest in the goods is not a transfer  
29 that materially impairs the lessee's prospect of obtaining  
30 return performance or materially changes the duty of or  
31 materially increases the burden or risk imposed on the lessee  
32 within the purview of section 554.13303, subsection 3, unless,  
33 and then only to the extent that, enforcement actually results  
34 in a delegation of material performance of the lessor.

35     Sec. 70. NEW SECTION. 554.9408 RESTRICTIONS ON

1 ASSIGNMENT OF PROMISSORY NOTES, HEALTH-CARE-INSURANCE  
2 RECEIVABLES, AND CERTAIN GENERAL INTANGIBLES INEFFECTIVE.

3 1. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.

4 Except as otherwise provided in subsection 2, a term in a  
5 promissory note or in an agreement between an account debtor  
6 and a debtor which relates to a health-care-insurance  
7 receivable or a general intangible, including a contract,  
8 permit, license, or franchise, and which term prohibits,  
9 restricts, or requires the consent of the person obligated on  
10 the promissory note or the account debtor to, the assignment  
11 or transfer of, or creation, attachment, or perfection of a  
12 security interest in, the promissory note, health-care-  
13 insurance receivable, or general intangible, is ineffective to  
14 the extent that the term:

15 a. would impair the creation, attachment, or perfection of  
16 a security interest; or

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

23 2. APPLICABILITY OF SUBSECTION 1 TO SALES OF CERTAIN  
24 RIGHTS TO PAYMENT. Subsection 1 applies to a security  
25 interest in a payment intangible or promissory note only if  
26 the security interest arises out of a sale of the payment  
27 intangible or promissory note.

28 3. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.

29 A rule of law, statute, or regulation that prohibits,  
30 restricts, or requires the consent of a government,  
31 governmental body or official, person obligated on a  
32 promissory note, or account debtor to the assignment or  
33 transfer of, or creation of a security interest in, a  
34 promissory note, health-care-insurance receivable, or general  
35 intangible, including a contract, permit, license, or

1 franchise between an account debtor and a debtor, is  
2 ineffective to the extent that the rule of law, statute, or  
3 regulation:

4 a. would impair the creation, attachment, or perfection of  
5 a security interest; or

6 b. provides that the assignment or transfer or the  
7 creation, attachment, or perfection of the security interest  
8 may give rise to a default, breach, right of recoupment,  
9 claim, defense, termination, right of termination, or remedy  
10 under the promissory note, health-care-insurance receivable,  
11 or general intangible.

12 4. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTIONS 1 AND  
13 3. To the extent that a term in a promissory note or in an  
14 agreement between an account debtor and a debtor which relates  
15 to a health-care-insurance receivable or general intangible or  
16 a rule of law, statute, or regulation described in subsection  
17 3 would be effective under law other than this Article but is  
18 ineffective under subsection 1 or 3, the creation, attachment,  
19 or perfection of a security interest in the promissory note,  
20 health-care-insurance receivable, or general intangible:

21 a. is not enforceable against the person obligated on the  
22 promissory note or the account debtor;

23 b. does not impose a duty or obligation on the person  
24 obligated on the promissory note or the account debtor;

25 c. does not require the person obligated on the promissory  
26 note or the account debtor to recognize the security interest,  
27 pay or render performance to the secured party, or accept  
28 payment or performance from the secured party;

29 d. does not entitle the secured party to use or assign the  
30 debtor's rights under the promissory note, health-care-  
31 insurance receivable, or general intangible, including any  
32 related information or materials furnished to the debtor in  
33 the transaction giving rise to the promissory note, health-  
34 care-insurance receivable, or general intangible;

35 e. does not entitle the secured party to use, assign,

1 possess, or have access to any trade secrets or confidential  
2 information of the person obligated on the promissory note or  
3 the account debtor; and

4 f. does not entitle the secured party to enforce the  
5 security interest in the promissory note, health-care-  
6 insurance receivable, or general intangible.

7 5. SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW. This  
8 section prevails over any inconsistent provision of an  
9 existing or future statute, rule, or regulation of this state  
10 unless the provision is contained in a statute of this state,  
11 refers expressly to this section, and states that the  
12 provision prevails over this section.

13 Sec. 71. NEW SECTION. 554.9409 RESTRICTIONS ON  
14 ASSIGNMENT OF LETTER-OF-CREDIT RIGHTS INEFFECTIVE.

15 1. TERM OR LAW RESTRICTING ASSIGNMENT GENERALLY  
16 INEFFECTIVE. A term in a letter of credit or a rule of law,  
17 statute, regulation, custom, or practice applicable to the  
18 letter of credit which prohibits, restricts, or requires the  
19 consent of an applicant, issuer, or nominated person to a  
20 beneficiary's assignment of or creation of a security interest  
21 in a letter-of-credit right is ineffective to the extent that  
22 the term or rule of law, statute, regulation, custom, or  
23 practice:

24 a. would impair the creation, attachment, or perfection of  
25 a security interest in the letter-of-credit right; or

26 b. provides that the assignment or the creation,  
27 attachment, or perfection of the security interest may give  
28 rise to a default, breach, right of recoupment, claim,  
29 defense, termination, right of termination, or remedy under  
30 the letter-of-credit right.

31 2. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTION 1. To  
32 the extent that a term in a letter of credit is ineffective  
33 under subsection 1 but would be effective under law other than  
34 this Article or a custom or practice applicable to the letter  
35 of credit, to the transfer of a right to draw or otherwise

1 demand performance under the letter of credit, or to the  
2 assignment of a right to proceeds of the letter of credit, the  
3 creation, attachment, or perfection of a security interest in  
4 the letter-of-credit right:

5 a. is not enforceable against the applicant, issuer,  
6 nominated person, or transferee beneficiary;

7 b. imposes no duties or obligations on the applicant,  
8 issuer, nominated person, or transferee beneficiary; and

9 c. does not require the applicant, issuer, nominated  
10 person, or transferee beneficiary to recognize the security  
11 interest, pay or render performance to the secured party, or  
12 accept payment or other performance from the secured party.

13 PART 5

14 FILING

15 A. FILING OFFICE -- CONTENTS AND  
16 EFFECTIVENESS OF FINANCING STATEMENT

17 Sec. 72. NEW SECTION. 554.9501 FILING OFFICE.

18 1. FILING OFFICES. Except as otherwise provided in  
19 subsection 2, if the local law of this state governs  
20 perfection of a security interest or agricultural lien, the  
21 office in which to file a financing statement to perfect the  
22 security interest or agricultural lien is:

23 a. the office designated for the filing or recording of a  
24 record of a mortgage on the related real property, if:

25 (1) the collateral is as-extracted collateral or timber to  
26 be cut; or

27 (2) the financing statement is filed as a fixture filing  
28 and the collateral is goods that are or are to become  
29 fixtures; or

30 b. the office of the secretary of state or any office duly  
31 authorized by the office of secretary of state, in all other  
32 cases, including a case in which the collateral is goods that  
33 are or are to become fixtures and the financing statement is  
34 not filed as a fixture filing.

35 2. FILING OFFICE FOR TRANSMITTING UTILITIES. The office



1 in which to file a financing statement to perfect a security  
2 interest in collateral, including fixtures, of a transmitting  
3 utility is the office of the secretary of state. The  
4 financing statement also constitutes a fixture filing as to  
5 the collateral indicated in the financing statement which is  
6 or is to become fixtures.

7 Sec. 73. NEW SECTION. 554.9502 CONTENTS OF FINANCING  
8 STATEMENT -- RECORD OF MORTGAGE AS FINANCING STATEMENT -- TIME  
9 OF FILING FINANCING STATEMENT.

10 1. SUFFICIENCY OF FINANCING STATEMENT. Subject to  
11 subsection 2, a financing statement is sufficient only if it:

- 12 a. provides the name of the debtor;  
13 b. provides the name of the secured party or a  
14 representative of the secured party; and  
15 c. indicates the collateral covered by the financing  
16 statement.

17 2. REAL-PROPERTY-RELATED FINANCING STATEMENTS. Except as  
18 otherwise provided in section 554.9501, subsection 2, to be  
19 sufficient, a financing statement that covers as-extracted  
20 collateral or timber to be cut, or which is filed as a fixture  
21 filing and covers goods that are or are to become fixtures,  
22 must satisfy subsection 1 and also:

- 23 a. indicate that it covers this type of collateral;  
24 b. indicate that it is to be filed for record in the real  
25 property records;  
26 c. provide a description of the real property to which the  
27 collateral is related sufficient to give constructive notice  
28 of a mortgage under the law of this state if the description  
29 were contained in a record of the mortgage of the real  
30 property; and  
31 d. if the debtor does not have an interest of record in  
32 the real property, provide the name of a record owner.

33 3. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of  
34 a mortgage is effective, from the date of recording, as a  
35 financing statement filed as a fixture filing or as a

1 financing statement covering as-extracted collateral or timber  
2 to be cut only if:

3 a. the record indicates the goods or accounts that it  
4 covers;

5 b. the goods are or are to become fixtures related to the  
6 real property described in the record or the collateral is  
7 related to the real property described in the record and is  
8 as-extracted collateral or timber to be cut;

9 c. the record satisfies the requirements for a financing  
10 statement in this section other than an indication that it is  
11 to be filed in the real property records; and

12 d. the record is duly recorded.

13 4. FILING BEFORE SECURITY AGREEMENT OR ATTACHMENT. A  
14 financing statement may be filed before a security agreement  
15 is made or a security interest otherwise attaches.

16 Sec. 74. NEW SECTION. 554.9503 NAME OF DEBTOR AND  
17 SECURED PARTY.

18 1. SUFFICIENCY OF DEBTOR'S NAME. A financing statement  
19 sufficiently provides the name of the debtor:

20 a. if the debtor is a registered organization, only if the  
21 financing statement provides the name of the debtor indicated  
22 on the public record of the debtor's jurisdiction of  
23 organization which shows the debtor to have been organized;

24 b. if the debtor is a decedent's estate, only if the  
25 financing statement provides the name of the decedent and  
26 indicates that the debtor is an estate;

27 c. if the debtor is a trust or a trustee acting with  
28 respect to property held in trust, only if the financing  
29 statement:

30 (1) provides the name specified for the trust in its  
31 organic documents or, if no name is specified, provides the  
32 name of the settlor and additional information sufficient to  
33 distinguish the debtor from other trusts having one or more of  
34 the same settlors; and

35 (2) indicates, in the debtor's name or otherwise, that the

1 debtor is a trust or is a trustee acting with respect to  
2 property held in trust; and

3 d. in other cases:

4 (1) if the debtor has a name, only if it provides the  
5 individual or organizational name of the debtor; and

6 (2) if the debtor does not have a name, only if it  
7 provides the names of the partners, members, associates, or  
8 other persons comprising the debtor.

9 2. ADDITIONAL DEBTOR-RELATED INFORMATION. A financing  
10 statement that provides the name of the debtor in accordance  
11 with subsection 1 is not rendered ineffective by the absence  
12 of:

13 a. a trade name or other name of the debtor; or

14 b. unless required under subsection 1, paragraph "d",  
15 subparagraph (2), names of partners, members, associates, or  
16 other persons comprising the debtor.

17 3. DEBTOR'S TRADE NAME INSUFFICIENT. A financing  
18 statement that provides only the debtor's trade name does not  
19 sufficiently provide the name of the debtor.

20 4. REPRESENTATIVE CAPACITY. Failure to indicate the  
21 representative capacity of a secured party or representative  
22 of a secured party does not affect the sufficiency of a  
23 financing statement.

24 5. MULTIPLE DEBTORS AND SECURED PARTIES. A financing  
25 statement may provide the name of more than one debtor and the  
26 name of more than one secured party.

27 Sec. 75. NEW SECTION. 554.9504 INDICATION OF COLLATERAL.

28 A financing statement sufficiently indicates the collateral  
29 that it covers if the financing statement provides:

30 1. a description of the collateral pursuant to section  
31 554.9108; or

32 2. an indication that the financing statement covers all  
33 assets or all personal property.

34 Sec. 76. NEW SECTION. 554.9505 FILING AND COMPLIANCE  
35 WITH OTHER STATUTES AND TREATIES FOR CONSIGNMENTS, LEASES,

1 OTHER BAILMENTS, AND OTHER TRANSACTIONS.

2 1. USE OF TERMS OTHER THAN DEBTOR AND SECURED PARTY. A  
3 consignor, lessor, or other bailor of goods, a licensor, or a  
4 buyer of a payment intangible or promissory note may file a  
5 financing statement, or may comply with a statute or treaty  
6 described in section 554.9311, subsection 1, using the terms  
7 "consignor", "consignee", "lessor", "lessee", "bailor",  
8 "bailee", "licensor", "licensee", "owner", "registered owner",  
9 "buyer", "seller", or words of similar import, instead of the  
10 terms "secured party" and "debtor".

11 2. EFFECT OF FINANCING STATEMENT UNDER SUBSECTION 1. This  
12 part applies to the filing of a financing statement under  
13 subsection 1 and, as appropriate, to compliance that is  
14 equivalent to filing a financing statement under section  
15 554.9311, subsection 2, but the filing or compliance is not of  
16 itself a factor in determining whether the collateral secures  
17 an obligation. If it is determined for another reason that  
18 the collateral secures an obligation, a security interest held  
19 by the consignor, lessor, bailor, licensor, owner, or buyer  
20 which attaches to the collateral is perfected by the filing or  
21 compliance.

22 Sec. 77. NEW SECTION. 554.9506 EFFECT OF ERRORS OR  
23 OMISSIONS.

24 1. MINOR ERRORS AND OMISSIONS. A financing statement  
25 substantially satisfying the requirements of this part is  
26 effective, even if it has minor errors or omissions, unless  
27 the errors or omissions make the financing statement seriously  
28 misleading.

29 2. FINANCING STATEMENT SERIOUSLY MISLEADING. Except as  
30 otherwise provided in subsection 3, a financing statement that  
31 fails sufficiently to provide the name of the debtor in  
32 accordance with section 554.9503, subsection 1, is seriously  
33 misleading.

34 3. FINANCING STATEMENT NOT SERIOUSLY MISLEADING. If a  
35 search of the records of the filing office under the debtor's

1 correct name, using the filing office's standard search logic,  
2 if any, would disclose a financing statement that fails  
3 sufficiently to provide the name of the debtor in accordance  
4 with section 554.9503, subsection 1, the name provided does  
5 not make the financing statement seriously misleading.

6 4. DEBTOR'S CORRECT NAME. For purposes of section  
7 554.9508, subsection 2, the "debtor's correct name" in  
8 subsection 3 means the correct name of the new debtor.

9 Sec. 78. NEW SECTION. 554.9507 EFFECT OF CERTAIN EVENTS  
10 ON EFFECTIVENESS OF FINANCING STATEMENT.

11 1. DISPOSITION. A filed financing statement remains  
12 effective with respect to collateral that is sold, exchanged,  
13 leased, licensed, or otherwise disposed of and in which a  
14 security interest or agricultural lien continues, even if the  
15 secured party knows of or consents to the disposition.

16 2. INFORMATION BECOMING SERIOUSLY MISLEADING. Except as  
17 otherwise provided in subsection 3 and section 554.9508, a  
18 financing statement is not rendered ineffective if, after the  
19 financing statement is filed, the information provided in the  
20 financing statement becomes seriously misleading under section  
21 554.9506.

22 3. CHANGE IN DEBTOR'S NAME. If a debtor so changes its  
23 name that a filed financing statement becomes seriously  
24 misleading under section 554.9506:

25 a. the financing statement is effective to perfect a  
26 security interest in collateral acquired by the debtor before,  
27 or within four months after, the change; and

28 b. the financing statement is not effective to perfect a  
29 security interest in collateral acquired by the debtor more  
30 than four months after the change, unless an amendment to the  
31 financing statement which renders the financing statement not  
32 seriously misleading is filed within four months after the  
33 change.

34 Sec. 79. NEW SECTION. 554.9508 EFFECTIVENESS OF  
35 FINANCING STATEMENT IF NEW DEBTOR BECOMES BOUND BY SECURITY

## 1 AGREEMENT.

2 1. FINANCING STATEMENT NAMING ORIGINAL DEBTOR. Except as  
3 otherwise provided in this section, a filed financing  
4 statement naming an original debtor is effective to perfect a  
5 security interest in collateral in which a new debtor has or  
6 acquires rights to the extent that the financing statement  
7 would have been effective had the original debtor acquired  
8 rights in the collateral.

9 2. FINANCING STATEMENT BECOMING SERIOUSLY MISLEADING. If  
10 the difference between the name of the original debtor and  
11 that of the new debtor causes a filed financing statement that  
12 is effective under subsection 1 to be seriously misleading  
13 under section 554.9506:

14 a. the financing statement is effective to perfect a  
15 security interest in collateral acquired by the new debtor  
16 before, and within four months after, the new debtor becomes  
17 bound under section 554.9203, subsection 4; and

18 b. the financing statement is not effective to perfect a  
19 security interest in collateral acquired by the new debtor  
20 more than four months after the new debtor becomes bound under  
21 section 554.9203, subsection 4, unless an initial financing  
22 statement providing the name of the new debtor is filed before  
23 the expiration of that time.

24 3. WHEN SECTION NOT APPLICABLE. This section does not  
25 apply to collateral as to which a filed financing statement  
26 remains effective against the new debtor under section  
27 554.9507, subsection 1.

28 Sec. 80. NEW SECTION. 554.9509 PERSONS ENTITLED TO FILE  
29 A RECORD.

30 1. PERSON ENTITLED TO FILE RECORD. A person may file an  
31 initial financing statement, amendment that adds collateral  
32 covered by a financing statement, or amendment that adds a  
33 debtor to a financing statement only if:

34 a. the debtor authorizes the filing in an authenticated  
35 record or pursuant to subsection 2 or 3; or

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

5 2. SECURITY AGREEMENT AS AUTHORIZATION. By authenticating  
6 or becoming bound as debtor by a security agreement, a debtor  
7 or new debtor authorizes the filing of an initial financing  
8 statement, and an amendment, covering:

9 a. the collateral described in the security agreement; and

10 b. property that becomes collateral under section  
11 554.9315, subsection 1, paragraph "b", whether or not the  
12 security agreement expressly covers proceeds.

13 3. ACQUISITION OF COLLATERAL AS AUTHORIZATION. By  
14 acquiring collateral in which a security interest or  
15 agricultural lien continues under section 554.9315, subsection  
16 1, paragraph "a", a debtor authorizes the filing of an initial  
17 financing statement, and an amendment, covering the collateral  
18 and property that becomes collateral under section 554.9315,  
19 subsection 1, paragraph "b".

20 4. PERSON ENTITLED TO FILE CERTAIN AMENDMENTS. A person  
21 may file an amendment other than an amendment that adds  
22 collateral covered by a financing statement or an amendment  
23 that adds a debtor to a financing statement only if:

24 a. the secured party of record authorizes the filing; or

25 b. the amendment is a termination statement for a  
26 financing statement as to which the secured party of record  
27 has failed to file or send a termination statement as required  
28 by section 554.9513, subsection 1 or 3, the debtor authorizes  
29 the filing, and the termination statement indicates that the  
30 debtor authorized it to be filed.

31 5. MULTIPLE SECURED PARTIES OF RECORD. If there is more  
32 than one secured party of record for a financing statement,  
33 each secured party of record may authorize the filing of an  
34 amendment under subsection 4.

35 Sec. 81. NEW SECTION. 554.9510 EFFECTIVENESS OF FILED

1 RECORD.

2 1. FILED RECORD EFFECTIVE IF AUTHORIZED. A filed record  
3 is effective only to the extent that it was filed by a person  
4 that may file it under section 554.9509.

5 2. AUTHORIZATION BY ONE SECURED PARTY OF RECORD. A record  
6 authorized by one secured party of record does not affect the  
7 financing statement with respect to another secured party of  
8 record.

9 3. CONTINUATION STATEMENT NOT TIMELY FILED. A  
10 continuation statement that is not filed within the six-month  
11 period prescribed by section 554.9515, subsection 4, is  
12 ineffective.

13 Sec. 82. NEW SECTION. 554.9511 SECURED PARTY OF RECORD.

14 1. SECURED PARTY OF RECORD. A secured party of record  
15 with respect to a financing statement is a person whose name  
16 is provided as the name of the secured party or a  
17 representative of the secured party in an initial financing  
18 statement that has been filed. If an initial financing  
19 statement is filed under section 554.9514, subsection 1, the  
20 assignee named in the initial financing statement is the  
21 secured party of record with respect to the financing  
22 statement.

23 2. AMENDMENT NAMING SECURED PARTY OF RECORD. If an  
24 amendment of a financing statement which provides the name of  
25 a person as a secured party or a representative of a secured  
26 party is filed, the person named in the amendment is a secured  
27 party of record. If an amendment is filed under section  
28 554.9514, subsection 2, the assignee named in the amendment is  
29 a secured party of record.

30 3. AMENDMENT DELETING SECURED PARTY OF RECORD. A person  
31 remains a secured party of record until the filing of an  
32 amendment of the financing statement which deletes the person.

33 Sec. 83. NEW SECTION. 554.9512 AMENDMENT OF FINANCING  
34 STATEMENT.

35 1. AMENDMENT OF INFORMATION IN FINANCING STATEMENT.



1 Subject to section 554.9509, a person may add or delete  
2 collateral covered by, continue or terminate the effectiveness  
3 of, or, subject to subsection 5, otherwise amend the  
4 information provided in, a financing statement by filing an  
5 amendment that:

6 a. identifies, by its file number, the initial financing  
7 statement to which the amendment relates; and

8 b. if the amendment relates to an initial financing  
9 statement filed or recorded in a filing office described in  
10 section 554.9501, subsection 1, paragraph "a", provides the  
11 date and time that the initial financing statement was filed  
12 or recorded and the information specified in section 554.9502,  
13 subsection 2.

14 2. PERIOD OF EFFECTIVENESS NOT AFFECTED. Except as  
15 otherwise provided in section 554.9515, the filing of an  
16 amendment does not extend the period of effectiveness of the  
17 financing statement.

18 3. EFFECTIVENESS OF AMENDMENT ADDING COLLATERAL. A  
19 financing statement that is amended by an amendment that adds  
20 collateral is effective as to the added collateral only from  
21 the date of the filing of the amendment.

22 4. EFFECTIVENESS OF AMENDMENT ADDING DEBTOR. A financing  
23 statement that is amended by an amendment that adds a debtor  
24 is effective as to the added debtor only from the date of the  
25 filing of the amendment.

26 5. CERTAIN AMENDMENTS INEFFECTIVE. An amendment is  
27 ineffective to the extent it:

28 a. purports to delete all debtors and fails to provide the  
29 name of a debtor to be covered by the financing statement; or

30 b. purports to delete all secured parties of record and  
31 fails to provide the name of a new secured party of record.

32 Sec. 84. NEW SECTION. 554.9513 TERMINATION STATEMENT.

33 1. CONSUMER GOODS. A secured party shall cause the  
34 secured party of record for a financing statement to file a  
35 termination statement for the financing statement if the

1 financing statement covers consumer goods and:

2 a. there is no obligation secured by the collateral  
3 covered by the financing statement and no commitment to make  
4 an advance, incur an obligation, or otherwise give value; or

5 b. the debtor did not authorize the filing of the initial  
6 financing statement.

7 2. TIME FOR COMPLIANCE WITH SUBSECTION 1. To comply with  
8 subsection 1, a secured party shall cause the secured party of  
9 record to file the termination statement:

10 a. within one month after there is no obligation secured  
11 by the collateral covered by the financing statement and no  
12 commitment to make an advance, incur an obligation, or  
13 otherwise give value; or

14 b. if earlier, within twenty days after the secured party  
15 receives an authenticated demand from a debtor.

16 3. OTHER COLLATERAL. In cases not governed by subsection  
17 1, within twenty days after a secured party receives an  
18 authenticated demand from a debtor, the secured party shall  
19 cause the secured party of record for a financing statement to  
20 send to the debtor a termination statement for the financing  
21 statement or file the termination statement in the filing  
22 office if:

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

29 b. the financing statement covers accounts or chattel  
30 paper that has been sold but as to which the account debtor or  
31 other person obligated has discharged its obligation;

32 c. the financing statement covers goods that were the  
33 subject of a consignment to the debtor but are not in the  
34 debtor's possession; or

35 d. the debtor did not authorize the filing of the initial

1 financing statement.

2 4. EFFECT OF FILING TERMINATION STATEMENT. Except as  
3 otherwise provided in section 554.9510, upon the filing of a  
4 termination statement with the filing office, the financing  
5 statement to which the termination statement relates ceases to  
6 be effective. Except as otherwise provided in section  
7 554.9510, for purposes of section 554.9519, subsection 7,  
8 section 554.9522, subsection 1, and section 554.9523,  
9 subsection 3, the filing with the filing office of a  
10 termination statement relating to a financing statement that  
11 indicates that the debtor is a transmitting utility also  
12 causes the effectiveness of the financing statement to lapse.

13 Sec. 85. NEW SECTION. 554.9514 ASSIGNMENT OF POWERS OF  
14 SECURED PARTY OF RECORD.

15 1. ASSIGNMENT REFLECTED ON INITIAL FINANCING STATEMENT.  
16 Except as otherwise provided in subsection 3, an initial  
17 financing statement may reflect an assignment of all of the  
18 secured party's power to authorize an amendment to the  
19 financing statement by providing the name and mailing address  
20 of the assignee as the name and address of the secured party.

21 2. ASSIGNMENT OF FILED FINANCING STATEMENT. Except as  
22 otherwise provided in subsection 3, a secured party of record  
23 may assign of record all or part of its power to authorize an  
24 amendment to a financing statement by filing in the filing  
25 office an amendment of the financing statement which:

26 a. identifies, by its file number, the initial financing  
27 statement to which it relates;

28 b. provides the name of the assignor; and

29 c. provides the name and mailing address of the assignee.

30 3. ASSIGNMENT OF RECORD OF MORTGAGE. An assignment of  
31 record of a security interest in a fixture covered by a record  
32 of a mortgage which is effective as a financing statement  
33 filed as a fixture filing under section 554.9502, subsection  
34 3, may be made only by an assignment of record of the mortgage  
35 in the manner provided by law of this state other than this

1 chapter.

2 Sec. 86. NEW SECTION. 554.9515 DURATION AND  
3 EFFECTIVENESS OF FINANCING STATEMENT -- EFFECT OF LAPSED  
4 FINANCING STATEMENT.

5 1. FIVE-YEAR EFFECTIVENESS. Except as otherwise provided  
6 in subsections 2, 5, 6, and 7, a filed financing statement is  
7 effective for a period of five years after the date of filing.

8 2. PUBLIC-FINANCE OR MANUFACTURED-HOME TRANSACTION.

9 Except as otherwise provided in subsections 5, 6, and 7, an  
10 initial financing statement filed in connection with a public-  
11 finance transaction or manufactured-home transaction is  
12 effective for a period of thirty years after the date of  
13 filing if it indicates that it is filed in connection with a  
14 public-finance transaction or manufactured-home transaction.

15 3. LAPSE AND CONTINUATION OF FINANCING STATEMENT. The  
16 effectiveness of a filed financing statement lapses on the  
17 expiration of the period of its effectiveness unless before  
18 the lapse a continuation statement is filed pursuant to  
19 subsection 4. Upon lapse, a financing statement ceases to be  
20 effective and any security interest or agricultural lien that  
21 was perfected by the financing statement becomes unperfected,  
22 unless the security interest is perfected otherwise. If the  
23 security interest or agricultural lien becomes unperfected  
24 upon lapse, it is deemed never to have been perfected as  
25 against a purchaser of the collateral for value.

26 4. WHEN CONTINUATION STATEMENT MAY BE FILED. A  
27 continuation statement may be filed only within six months  
28 before the expiration of the five-year period specified in  
29 subsection 1 or the thirty-year period specified in subsection  
30 2, whichever is applicable.

31 5. EFFECT OF FILING CONTINUATION STATEMENT. Except as  
32 otherwise provided in section 554.9510, upon timely filing of  
33 a continuation statement, the effectiveness of the initial  
34 financing statement continues for a period of five years  
35 commencing on the day on which the financing statement would

1 have become ineffective in the absence of the filing. Upon  
2 the expiration of the five-year period, the financing  
3 statement lapses in the same manner as provided in subsection  
4 3, unless, before the lapse, another continuation statement is  
5 filed pursuant to subsection 4. Succeeding continuation  
6 statements may be filed in the same manner to continue the  
7 effectiveness of the initial financing statement.

8 6. TRANSMITTING UTILITY FINANCING STATEMENT. If a debtor  
9 is a transmitting utility and a filed financing statement so  
10 indicates, the financing statement is effective until a  
11 termination statement is filed.

12 7. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of  
13 a mortgage that is effective as a financing statement filed as  
14 a fixture filing under section 554.9502, subsection 3, remains  
15 effective as a financing statement filed as a fixture filing  
16 until the mortgage is released or satisfied of record or its  
17 effectiveness otherwise terminates as to the real property.

18 Sec. 87. NEW SECTION. 554.9516 WHAT CONSTITUTES FILING  
19 -- EFFECTIVENESS OF FILING.

20 1. WHAT CONSTITUTES FILING. Except as otherwise provided  
21 in subsection 2, communication of a record to a filing office  
22 and tender of the filing fee or acceptance of the record by  
23 the filing office constitutes filing.

24 2. REFUSAL TO ACCEPT RECORD -- FILING DOES NOT OCCUR.  
25 Filing does not occur with respect to a record that a filing  
26 office refuses to accept because:

27 a. the record is not communicated by a method or medium of  
28 communication authorized by the filing office;

29 b. an amount equal to or greater than the applicable  
30 filing fee is not tendered;

31 c. the filing office is unable to index the record  
32 because:

33 (1) in the case of an initial financing statement, the  
34 record does not provide a name for the debtor;

35 (2) in the case of an amendment or correction statement,

- 1 the record:
- 2 (a) does not identify the initial financing statement as  
3 required by section 554.9512 or 554.9518, as applicable; or
- 4 (b) identifies an initial financing statement whose  
5 effectiveness has lapsed under section 554.9515;
- 6 (3) in the case of an initial financing statement that  
7 provides the name of a debtor identified as an individual or  
8 an amendment that provides a name of a debtor identified as an  
9 individual which was not previously provided in the financing  
10 statement to which the record relates, the record does not  
11 identify the debtor's last name; or
- 12 (4) in the case of a record filed or recorded in the  
13 filing office described in section 554.9501, subsection 1,  
14 paragraph "a", the record does not provide a sufficient  
15 description of the real property to which it relates;
- 16 d. in the case of an initial financing statement or an  
17 amendment that adds a secured party of record, the record does  
18 not provide a name and mailing address for the secured party  
19 of record;
- 20 e. in the case of an initial financing statement or an  
21 amendment that provides a name of a debtor which was not  
22 previously provided in the financing statement to which the  
23 amendment relates, the record does not:
- 24 (1) provide a mailing address for the debtor;
- 25 (2) indicate whether the debtor is an individual or an  
26 organization; or
- 27 (3) if the financing statement indicates that the debtor  
28 is an organization, provide:
- 29 (a) a type of organization for the debtor;
- 30 (b) a jurisdiction of organization for the debtor; or
- 31 (c) an organizational identification number for the debtor  
32 or indicate that the debtor has none;
- 33 f. in the case of an assignment reflected in an initial  
34 financing statement under section 554.9514, subsection 1, or  
35 an amendment filed under section 554.9514, subsection 2, the

1 record does not provide a name and mailing address for the  
2 assignee; or

3 g. in the case of a continuation statement, the record is  
4 not filed within the six-month period prescribed by section  
5 554.9515, subsection 4.

6 3. RULES APPLICABLE TO SUBSECTION 2. For purposes of  
7 subsection 2:

8 a. a record does not provide information if the filing  
9 office is unable to read or decipher the information; and

10 b. a record that does not indicate that it is an amendment  
11 or identify an initial financing statement to which it  
12 relates, as required by section 554.9512, 554.9514, or  
13 554.9518, is an initial financing statement.

14 4. REFUSAL TO ACCEPT RECORD -- RECORD EFFECTIVE AS FILED  
15 RECORD. A record that is communicated to the filing office  
16 with tender of the filing fee, but which the filing office  
17 refuses to accept for a reason other than one set forth in  
18 subsection 2, is effective as a filed record except as against  
19 a purchaser of the collateral which gives value in reasonable  
20 reliance upon the absence of the record from the files.

21 Sec. 88. NEW SECTION. 554.9517 EFFECT OF INDEXING  
22 ERRORS.

23 The failure of the filing office to index a record  
24 correctly does not affect the effectiveness of the filed  
25 record.

26 Sec. 89. NEW SECTION. 554.9518 CLAIM CONCERNING  
27 INACCURATE OR WRONGFULLY FILED RECORD.

28 1. CORRECTION STATEMENT. A person may file in the filing  
29 office a correction statement with respect to a record indexed  
30 there under the person's name if the person believes that the  
31 record is inaccurate or was wrongfully filed.

32 2. SUFFICIENCY OF CORRECTION STATEMENT. A correction  
33 statement must:

34 a. identify the record to which it relates by:

35 (1) the file number assigned to the initial financing

1 statement to which the record relates; and

2 (2) if the correction statement relates to a record filed  
3 or recorded in a filing office described in section 554.9501,  
4 subsection 1, paragraph "a", the date and time that the  
5 initial financing statement was filed or recorded and the  
6 information specified in section 554.9502, subsection 2;

7 b. indicate that it is a correction statement; and

8 c. provide the basis for the person's belief that the  
9 record is inaccurate and indicate the manner in which the  
10 person believes the record should be amended to cure any  
11 inaccuracy or provide the basis for the person's belief that  
12 the record was wrongfully filed.

13 3. RECORD NOT AFFECTED BY CORRECTION STATEMENT. The  
14 filing of a correction statement does not affect the  
15 effectiveness of an initial financing statement or other filed  
16 record.

17 B. DUTIES AND OPERATION OF FILING OFFICE

18 Sec. 90. NEW SECTION. 554.9519 NUMBERING, MAINTAINING,  
19 AND INDEXING RECORDS -- COMMUNICATING INFORMATION PROVIDED IN  
20 RECORDS.

21 1. FILING OFFICE DUTIES. For each record filed in a  
22 filing office, the filing office shall:

23 a. assign a unique number to the filed record;

24 b. create a record that bears the number assigned to the  
25 filed record and the date and time of filing;

26 c. maintain the filed record for public inspection; and

27 d. index the filed record in accordance with subsections  
28 3, 4, and 5.

29 2. FILE NUMBER. A file number assigned after January 1,  
30 2002, must include a digit that:

31 a. is mathematically derived from or related to the other  
32 digits of the file number; and

33 b. aids the filing office in determining whether a number  
34 communicated as the file number includes a single-digit or  
35 transpositional error.



1 3. INDEXING -- GENERAL. Except as otherwise provided in  
2 subsections 4 and 5, the filing office shall:

3 a. index an initial financing statement according to the  
4 name of the debtor and index all filed records relating to the  
5 initial financing statement in a manner that associates with  
6 one another an initial financing statement and all filed  
7 records relating to the initial financing statement; and

8 b. index a record that provides a name of a debtor which  
9 was not previously provided in the financing statement to  
10 which the record relates also according to the name that was  
11 not previously provided.

12 4. INDEXING -- REAL-PROPERTY-RELATED FINANCING STATEMENT.

13 If a financing statement is filed as a fixture filing or  
14 covers as-extracted collateral or timber to be cut, it must be  
15 filed for record and the filing office shall index it:

16 a. under the names of the debtor and of each owner of  
17 record shown on the financing statement as if they were the  
18 mortgagors under a mortgage of the real property described;  
19 and

20 b. to the extent that the law of this state provides for  
21 indexing of records of mortgages under the name of the  
22 mortgagee, under the name of the secured party as if the  
23 secured party were the mortgagee thereunder, or, if indexing  
24 is by description, as if the financing statement were a record  
25 of a mortgage of the real property described.

26 5. INDEXING -- REAL-PROPERTY-RELATED ASSIGNMENT. If a  
27 financing statement is filed as a fixture filing or covers as-  
28 extracted collateral or timber to be cut, the filing office  
29 shall index an assignment filed under section 554.9514,  
30 subsection 1, or an amendment filed under section 554.9514,  
31 subsection 2:

32 a. under the name of the assignor as grantor; and

33 b. to the extent that the law of this state provides for  
34 indexing a record of the assignment of a mortgage under the  
35 name of the assignee, under the name of the assignee.

1 6. RETRIEVAL AND ASSOCIATION CAPABILITY. The filing  
2 office shall maintain a capability:

3 a. to retrieve a record by the name of the debtor and:

4 (1) if the filing office is described in section 554.9501,  
5 subsection 1, paragraph "a", by the file number assigned to  
6 the initial financing statement to which the record relates  
7 and the date and time that the record was filed or recorded;  
8 or

9 (2) if the filing office is described in section 554.9501,  
10 subsection 1, paragraph "b", by the file number assigned to  
11 the initial financing statement to which the record relates;  
12 and

13 b. to associate and retrieve with one another an initial  
14 financing statement and each filed record relating to the  
15 initial financing statement.

16 7. REMOVAL OF DEBTOR'S NAME. The filing office may not  
17 remove a debtor's name from the index until one year after the  
18 effectiveness of a financing statement naming the debtor  
19 lapses under section 554.9515 with respect to all secured  
20 parties of record.

21 8. TIMELINESS OF FILING OFFICE PERFORMANCE. The filing  
22 office shall perform the acts required by subsections 1  
23 through 5 at the time and in the manner prescribed by filing-  
24 office rule, but not later than two business days after the  
25 filing office receives the record in question.

26 Sec. 91. NEW SECTION. 554.9520 ACCEPTANCE AND REFUSAL TO  
27 ACCEPT RECORD.

28 1. MANDATORY REFUSAL TO ACCEPT RECORD. A filing office  
29 shall refuse to accept a record for filing for a reason set  
30 forth in section 554.9516, subsection 2, and may refuse to  
31 accept a record for filing only for a reason set forth in  
32 section 554.9516, subsection 2.

33 2. COMMUNICATION CONCERNING REFUSAL. If a filing office  
34 refuses to accept a record for filing, it shall communicate to  
35 the person that presented the record the fact of and reason

1 for the refusal and the date and time the record would have  
2 been filed had the filing office accepted it. The  
3 communication must be made at the time and in the manner  
4 prescribed by filing-office rule but in no event more than two  
5 business days after the filing office receives the record.

6 3. WHEN FILED FINANCING STATEMENT EFFECTIVE. A filed  
7 financing statement satisfying section 554.9502, subsections 1  
8 and 2, is effective, even if the filing office is required to  
9 refuse to accept it for filing under subsection 1. However,  
10 section 554.9338 applies to a filed financing statement  
11 providing information described in section 554.9516,  
12 subsection 2, paragraph "e", which is incorrect at the time  
13 the financing statement is filed.

14 4. SEPARATE APPLICATION TO MULTIPLE DEBTORS. If a record  
15 communicated to a filing office provides information that  
16 relates to more than one debtor, this part applies as to each  
17 debtor separately.

18 Sec. 92. NEW SECTION. 554.9521 UNIFORM FORM OF WRITTEN  
19 FINANCING STATEMENT AND AMENDMENT.

20 1. INITIAL FINANCING STATEMENT FORM. A filing office that  
21 accepts written records may not refuse to accept a written  
22 initial financing statement in a form and format approved by  
23 the secretary of state by rule adopted pursuant to chapter 17A  
24 except for a reason set forth in section 554.9516, subsection  
25 2. The forms shall be consistent with forms for this section  
26 recommended by the national conference of commissioners on  
27 uniform state laws and the American law institute.

28 2. AMENDMENT FORM. A filing office that accepts written  
29 records may not refuse to accept a written record in a form  
30 and format approved by the secretary of state by rule adopted  
31 pursuant to chapter 17A except for a reason set forth in  
32 section 554.9516, subsection 2. The forms shall be consistent  
33 with forms for this section recommended by the national  
34 conference of commissioners on uniform state laws and the  
35 American law institute.

1     Sec. 93.   NEW SECTION.   554.9522   MAINTENANCE AND  
2   DESTRUCTION OF RECORDS.

3     1.   POST-LAPSE MAINTENANCE AND RETRIEVAL OF INFORMATION.

4   The filing office shall maintain a record of the information  
5   provided in a filed financing statement for at least one year  
6   after the effectiveness of the financing statement has lapsed  
7   under section 554.9515 with respect to all secured parties of  
8   record. The record must be retrievable by using the name of  
9   the debtor and:

10    a.   if the record was filed or recorded in the filing  
11   office described in section 554.9501, subsection 1, paragraph  
12   "a", by using the file number assigned to the initial  
13   financing statement to which the record relates and the date  
14   and time that the record was filed or recorded; or

15    b.   if the record was filed in the filing office described  
16   in section 554.9501, subsection 1, paragraph "b", by using the  
17   file number assigned to the initial financing statement to  
18   which the record relates.

19    2.   DESTRUCTION OF WRITTEN RECORDS. Except to the extent  
20   that a statute governing disposition of public records  
21   provides otherwise, the filing office immediately may destroy  
22   any written record evidencing a financing statement. However,  
23   if the filing office destroys a written record, it shall  
24   maintain another record of the financing statement which  
25   complies with subsection 1.

26    Sec. 94.   NEW SECTION.   554.9523   INFORMATION FROM FILING  
27   OFFICE -- SALE OR LICENSE OF RECORDS.

28    1.   ACKNOWLEDGMENT OF FILING WRITTEN RECORD. If a person  
29   that files a written record requests an acknowledgment of the  
30   filing, the filing office shall send to the person an image of  
31   the record showing the number assigned to the record pursuant  
32   to section 554.9519, subsection 1, paragraph "b", and the date  
33   and time of the filing of the record. However, if the person  
34   furnishes a copy of the record to the filing office, the  
35   filing office may instead:

1 a. note upon the copy the number assigned to the record  
2 pursuant to section 554.9519, subsection 1, paragraph "a", and  
3 the date and time of the filing of the record; and

4 b. send the copy to the person.

5 2. ACKNOWLEDGMENT OF FILING OTHER RECORD. If a person  
6 files a record other than a written record, the filing office  
7 shall communicate to the person an acknowledgment that  
8 provides:

9 a. the information in the record;

10 b. the number assigned to the record pursuant to section  
11 554.9519, subsection 1, paragraph "a"; and

12 c. the date and time of the filing of the record.

13 3. COMMUNICATION OF REQUESTED INFORMATION. The filing  
14 office shall communicate or otherwise make available in a  
15 record the following information to any person that requests  
16 it:

17 a. whether there is on file on a date and time specified  
18 by the filing office, but not a date earlier than three  
19 business days before the filing office receives the request,  
20 any financing statement that:

21 (1) designates a particular debtor or, if the request so  
22 states, designates a particular debtor at the address  
23 specified in the request;

24 (2) has not lapsed under section 554.9515 with respect to  
25 all secured parties of record; and

26 (3) if the request so states, has lapsed under section  
27 554.9515 and a record of which is maintained by the filing  
28 office under section 554.9522, subsection 1;

29 b. the date and time of filing of each financing  
30 statement; and

31 c. the information provided in each financing statement.

32 4. MEDIUM FOR COMMUNICATING INFORMATION. In complying  
33 with its duty under subsection 3, the filing office may  
34 communicate information in any medium. However, if requested,  
35 the filing office shall communicate information by issuing a

1 record that can be admitted into evidence in the courts of  
2 this state without extrinsic evidence of its authenticity.

3 5. TIMELINESS OF FILING OFFICE PERFORMANCE. The filing  
4 office shall perform the acts required by subsections 1  
5 through 4 at the time and in the manner prescribed by filing-  
6 office rule, but not later than two business days after the  
7 filing office receives the request.

8 6. PUBLIC AVAILABILITY OF RECORDS. At least weekly, the  
9 filing office shall offer to sell or license to the public on  
10 a nonexclusive basis, in bulk, copies of all records filed in  
11 it under this part, in every medium from time to time  
12 available to the filing office, as provided in chapter 22.

13 Sec. 95. NEW SECTION. 554.9524 DELAY BY FILING OFFICE.

14 Delay by the filing office beyond a time limit prescribed  
15 by this part is excused if:

16 1. the delay is caused by interruption of communication or  
17 computer facilities, war, emergency conditions, failure of  
18 equipment, or other circumstances beyond control of the filing  
19 office; and

20 2. the filing office exercises reasonable diligence under  
21 the circumstances.

22 Sec. 96. NEW SECTION. 554.9525 FEES.

23 1. INITIAL FINANCING STATEMENT OR OTHER RECORD -- GENERAL  
24 RULE. Except as otherwise provided in subsection 5, fees for  
25 services rendered by the filing office under this part must be  
26 set by rules adopted by the secretary of state's office for  
27 services for that office. The rule must set the fees for  
28 filing and indexing a record under this part on the following  
29 basis:

30 a. if a record presented for filing is communicated to the  
31 filing office in writing and consists of more than two pages,  
32 the fee for filing and indexing the record must be at least  
33 twice the amount of the fee for a record communicated in  
34 writing that consists of one or two pages; and

35 b. if the record is communicated by another medium

1 authorized by the secretary of state's office, the record must  
2 be no more than half the amount of the fee for a record  
3 communicated in writing that consists of one or two pages.

4 3. NUMBER OF NAMES. The number of names required to be  
5 indexed does not affect the amount of the fee in subsections 1  
6 and 2.

7 4. RESPONSE TO INFORMATION REQUEST. A rule or ordinance  
8 adopted pursuant to subsection 1 must set the fee for  
9 responding to a request for information from the filing  
10 office, including for communicating whether there is on file  
11 any financing statement naming a particular debtor. A fee for  
12 responding to a request communicated in writing must be not  
13 less than twice the amount of the fee for responding to a  
14 request communicated by another medium authorized by the  
15 office of secretary of state or the board of supervisors for  
16 the filing office where its filing office is located.

17 5. RECORD OF MORTGAGE. This section does not require a  
18 fee with respect to a record of a mortgage which is effective  
19 as a financing statement filed as a fixture filing or as a  
20 financing statement covering as-extracted collateral or timber  
21 to be cut under section 554.9502, subsection 3. However, the  
22 recording and satisfaction fees that otherwise would be  
23 applicable to the record of the mortgage apply.

24 Sec. 97. NEW SECTION. 554.9526 FILING-OFFICE RULES.

25 1. ADOPTION OF FILING-OFFICE RULES. The office of  
26 secretary of state shall adopt and publish rules to implement  
27 this Article. The filing-office rules must be:

- 28 a. consistent with this Article; and  
29 b. adopted and published in accordance with chapter 17A.

30 2. HARMONIZATION OF RULES. To keep the filing-office  
31 rules and practices of the filing office in harmony with the  
32 rules and practices of filing offices in other jurisdictions  
33 that enact substantially this part, and to keep the technology  
34 used by the filing office compatible with the technology used  
35 by filing offices in other jurisdictions that enact

1 substantially this part, the office of secretary of state, so  
2 far as is consistent with the purposes, policies, and  
3 provisions of this Article, in adopting, amending, and  
4 repealing filing-office rules, shall:

5 a. consult with filing offices in other jurisdictions that  
6 enact substantially this part; and

7 b. consult the most recent version of the Model Rules  
8 promulgated by the International Association of Corporate  
9 Administrators or any successor organization; and

10 c. take into consideration the rules and practices of, and  
11 the technology used by, filing offices in other jurisdictions  
12 that enact substantially this part.

13 Sec. 98. NEW SECTION. 554.9527 DUTY TO REPORT.

14 The office of secretary of state shall report annually on  
15 or before December 31 to the governor on the operation of the  
16 filing office. The report must contain a statement of the  
17 extent to which:

18 1. the filing-office rules are not in harmony with the  
19 rules of filing offices in other jurisdictions that enact  
20 substantially this part and the reasons for these variations;  
21 and

22 2. the filing-office rules are not in harmony with the  
23 most recent version of the Model Rules promulgated by the  
24 International Association of Corporate Administrators, or any  
25 successor organization, and the reasons for these variations.

26 PART 6

27 DEFAULT

28 A. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

29 Sec. 99. NEW SECTION. 554.9601 RIGHTS AFTER DEFAULT --  
30 JUDICIAL ENFORCEMENT -- CONSIGNOR OR BUYER OF ACCOUNTS,  
31 CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES.

32 1. RIGHTS OF SECURED PARTY AFTER DEFAULT. After default,  
33 a secured party has the rights provided in this part and,  
34 except as otherwise provided in section 554.9602, those  
35 provided by agreement of the parties. A secured party:



1 a. may reduce a claim to judgment, foreclose, or otherwise  
2 enforce the claim, security interest, or agricultural lien by  
3 any available judicial procedure; and

4 b. if the collateral is documents, may proceed either as  
5 to the documents or as to the goods they cover.

6 2. RIGHTS AND DUTIES OF SECURED PARTY IN POSSESSION OR  
7 CONTROL. A secured party in possession of collateral or  
8 control of collateral under section 554.9104, 554.9105,  
9 554.9106, or 554.9107 has the rights and duties provided in  
10 section 554.9207.

11 3. RIGHTS CUMULATIVE -- SIMULTANEOUS EXERCISE. The rights  
12 under subsections 1 and 2 are cumulative and may be exercised  
13 simultaneously.

14 4. RIGHTS OF DEBTOR AND OBLIGOR. Except as otherwise  
15 provided in subsection 7 and section 554.9605, after default,  
16 a debtor and an obligor have the rights provided in this part  
17 and by agreement of the parties.

18 5. LIEN OF LEVY AFTER JUDGMENT. If a secured party has  
19 reduced its claim to judgment, the lien of any levy that may  
20 be made upon the collateral by virtue of an execution based  
21 upon the judgment relates back to the earliest of:

22 a. the date of perfection of the security interest or  
23 agricultural lien in the collateral;

24 b. the date of filing a financing statement covering the  
25 collateral; or

26 c. any date specified in a statute under which the  
27 agricultural lien was created.

28 6. EXECUTION SALE. A sale pursuant to an execution is a  
29 foreclosure of the security interest or agricultural lien by  
30 judicial procedure within the meaning of this section. A  
31 secured party may purchase at the sale and thereafter hold the  
32 collateral free of any other requirements of this Article.

33 7. CONSIGNOR OR BUYER OF CERTAIN RIGHTS TO PAYMENT.

34 Except as otherwise provided in section 554.9607, subsection  
35 3, this part imposes no duties upon a secured party that is a

1 consignor or is a buyer of accounts, chattel paper, payment  
2 intangibles, or promissory notes.

3 Sec. 100. NEW SECTION. 554.9602 WAIVER AND VARIANCE OF  
4 RIGHTS AND DUTIES.

5 Except as otherwise provided in section 554.9624, to the  
6 extent that they give rights to a debtor or obligor and impose  
7 duties on a secured party, the debtor or obligor may not waive  
8 or vary the rules stated in the following listed sections:

9 1. section 554.9207, subsection 2, paragraph "d",  
10 subparagraph (3), which deals with use and operation of the  
11 collateral by the secured party;

12 2. section 554.9210, which deals with requests for an  
13 accounting and requests concerning a list of collateral and  
14 statement of account;

15 3. section 554.9607, subsection 3, which deals with  
16 collection and enforcement of collateral;

17 4. section 554.9608, subsection 1, and section 554.9615,  
18 subsection 3, to the extent that they deal with application or  
19 payment of noncash proceeds of collection, enforcement, or  
20 disposition;

21 5. section 554.9608, subsection 1, and section 554.9615,  
22 subsection 4, to the extent that they require accounting for  
23 or payment of surplus proceeds of collateral;

24 6. section 554.9609 to the extent that it imposes upon a  
25 secured party that takes possession of collateral without  
26 judicial process the duty to do so without breach of the  
27 peace;

28 7. section 554.9610, subsection 2, and sections 554.9611,  
29 554.9613, and 554.9614, which deal with disposition of  
30 collateral;

31 8. section 554.9615, subsection 6, which deals with  
32 calculation of a deficiency or surplus when a disposition is  
33 made to the secured party, a person related to the secured  
34 party, or a secondary obligor;

35 9. section 554.9616, which deals with explanation of the

1 calculation of a surplus or deficiency;

2 10. sections 554.9620, 554.9621, and 554.9622, which deal  
3 with acceptance of collateral in satisfaction of obligation;

4 11. section 554.9623, which deals with redemption of  
5 collateral;

6 12. section 554.9624, which deals with permissible  
7 waivers; and

8 13. sections 554.9625 and 554.9626, which deal with the  
9 secured party's liability for failure to comply with this  
10 Article.

11 Sec. 101. NEW SECTION. 554.9603 AGREEMENT ON STANDARDS  
12 CONCERNING RIGHTS AND DUTIES.

13 1. AGREED STANDARDS. The parties may determine by  
14 agreement the standards measuring the fulfillment of the  
15 rights of a debtor or obligor and the duties of a secured  
16 party under a rule stated in section 554.9602 if the standards  
17 are not manifestly unreasonable.

18 2. AGREED STANDARDS INAPPLICABLE TO BREACH OF PEACE.  
19 Subsection 1 does not apply to the duty under section 554.9609  
20 to refrain from breaching the peace.

21 Sec. 102. NEW SECTION. 554.9604 PROCEDURE IF SECURITY  
22 AGREEMENT COVERS REAL PROPERTY OR FIXTURES.

23 1. ENFORCEMENT -- PERSONAL AND REAL PROPERTY. If a  
24 security agreement covers both personal and real property, a  
25 secured party may proceed:

26 a. under this part as to the personal property without  
27 prejudicing any rights with respect to the real property; or

28 b. as to both the personal property and the real property  
29 in accordance with the rights with respect to the real  
30 property, in which case the other provisions of this part do  
31 not apply.

32 2. ENFORCEMENT -- FIXTURES. Subject to subsection 3, if a  
33 security agreement covers goods that are or become fixtures, a  
34 secured party may proceed:

35 a. under this part; or

1 b. in accordance with the rights with respect to real  
2 property, in which case the other provisions of this part do  
3 not apply.

4 3. REMOVAL OF FIXTURES. Subject to the other provisions  
5 of this part, if a secured party holding a security interest  
6 in fixtures has priority over all owners and encumbrancers of  
7 the real property, the secured party, after default, may  
8 remove the collateral from the real property.

9 4. INJURY CAUSED BY REMOVAL. A secured party that removes  
10 collateral shall promptly reimburse any encumbrancer or owner  
11 of the real property, other than the debtor, for the cost of  
12 repair of any physical injury caused by the removal. The  
13 secured party need not reimburse the encumbrancer or owner for  
14 any diminution in value of the real property caused by the  
15 absence of the goods removed or by any necessity of replacing  
16 them. A person entitled to reimbursement may refuse  
17 permission to remove until the secured party gives adequate  
18 assurance for the performance of the obligation to reimburse.

19 Sec. 103. NEW SECTION. 554.9605 UNKNOWN DEBTOR OR  
20 SECONDARY OBLIGOR.

21 A secured party does not owe a duty based on its status as  
22 secured party:

23 1. to a person that is a debtor or obligor, unless the  
24 secured party knows:

- 25 a. that the person is a debtor or obligor;
- 26 b. the identity of the person; and
- 27 c. how to communicate with the person; or

28 2. to a secured party or lienholder that has filed a  
29 financing statement against a person, unless the secured party  
30 knows:

- 31 a. that the person is a debtor; and
- 32 b. the identity of the person.

33 Sec. 104. NEW SECTION. 554.9606 TIME OF DEFAULT FOR  
34 AGRICULTURAL LIEN.

35 For purposes of this part, a default occurs in connection

1 with an agricultural lien at the time the secured party  
2 becomes entitled to enforce the lien in accordance with the  
3 statute under which it was created.

4 Sec. 105. NEW SECTION. 554.9607 COLLECTION AND  
5 ENFORCEMENT BY SECURED PARTY.

6 1. COLLECTION AND ENFORCEMENT GENERALLY. If so agreed,  
7 and in any event after default, a secured party:

8 a. may notify an account debtor or other person obligated  
9 on collateral to make payment or otherwise render performance  
10 to or for the benefit of the secured party;

11 b. may take any proceeds to which the secured party is  
12 entitled under section 554.9315;

13 c. may enforce the obligations of an account debtor or  
14 other person obligated on collateral and exercise the rights  
15 of the debtor with respect to the obligation of the account  
16 debtor or other person obligated on collateral to make payment  
17 or otherwise render performance to the debtor, and with

18 respect to any property that secures the obligations of the  
19 account debtor or other person obligated on the collateral;

20 d. if it holds a security interest in a deposit account  
21 perfected by control under section 554.9104, subsection 1,  
22 paragraph "a", may apply the balance of the deposit account to  
23 the obligation secured by the deposit account; and

24 e. if it holds a security interest in a deposit account  
25 perfected by control under section 554.9104, subsection 1,  
26 paragraph "b" or "c", may instruct the bank to pay the balance  
27 of the deposit account to or for the benefit of the secured  
28 party.

29 2. NONJUDICIAL ENFORCEMENT OF MORTGAGE. If necessary to  
30 enable a secured party to exercise under subsection 1,  
31 paragraph "c", the right of a debtor to enforce a mortgage  
32 nonjudicially, the secured party may record in the office in  
33 which a record of the mortgage is recorded:

34 a. a copy of the security agreement that creates or  
35 provides for a security interest in the obligation secured by

1 the mortgage; and

2 b. the secured party's sworn affidavit in recordable form  
3 stating that:

4 (1) a default has occurred; and

5 (2) the secured party is entitled to enforce the mortgage  
6 nonjudicially.

7 3. COMMERCIALY REASONABLE COLLECTION AND ENFORCEMENT. A  
8 secured party shall proceed in a commercially reasonable  
9 manner if the secured party:

10 a. undertakes to collect from or enforce an obligation of  
11 an account debtor or other person obligated on collateral; and

12 b. is entitled to charge back uncollected collateral or  
13 otherwise to full or limited recourse against the debtor or a  
14 secondary obligor.

15 4. EXPENSES OF COLLECTION AND ENFORCEMENT. A secured  
16 party may deduct from the collections made pursuant to  
17 subsection 3 reasonable expenses of collection and  
18 enforcement, including reasonable attorney's fees and legal  
19 expenses incurred by the secured party.

20 5. DUTIES TO SECURED PARTY NOT AFFECTED. This section  
21 does not determine whether an account debtor, bank, or other  
22 person obligated on collateral owes a duty to a secured party.

23 Sec. 106. NEW SECTION. 554.9608 APPLICATION OF PROCEEDS  
24 OF COLLECTION OR ENFORCEMENT -- LIABILITY FOR DEFICIENCY AND  
25 RIGHT TO SURPLUS.

26 1. APPLICATION OF PROCEEDS, SURPLUS, AND DEFICIENCY IF  
27 OBLIGATION SECURED. If a security interest or agricultural  
28 lien secures payment or performance of an obligation, the  
29 following rules apply:

30 a. a secured party shall apply or pay over for application  
31 the cash proceeds of collection or enforcement under section  
32 554.9607 in the following order to:

33 (1) the reasonable expenses of collection and enforcement  
34 and, to the extent provided for by agreement and not  
35 prohibited by law, reasonable attorney's fees and legal

1 expenses incurred by the secured party;

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

5 (3) the satisfaction of obligations secured by any  
6 subordinate security interest in or other lien on the  
7 collateral subject to the security interest or agricultural  
8 lien under which the collection or enforcement is made if the  
9 secured party receives an authenticated demand for proceeds  
10 before distribution of the proceeds is completed.

11 b. if requested by a secured party, a holder of a  
12 subordinate security interest or other lien shall furnish  
13 reasonable proof of the interest or lien within a reasonable  
14 time. Unless the holder complies, the secured party need not  
15 comply with the holder's demand under paragraph "a",  
16 subparagraph (3).

17 c. a secured party need not apply or pay over for  
18 application noncash proceeds of collection and enforcement  
19 under section 554.9607 unless the failure to do so would be  
20 commercially unreasonable. A secured party that applies or  
21 pays over for application noncash proceeds shall do so in a  
22 commercially reasonable manner.

23 d. a secured party shall account to and pay a debtor for  
24 any surplus, and the obligor is liable for any deficiency.

25 2. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO  
26 PAYMENT. If the underlying transaction is a sale of accounts,  
27 chattel paper, payment intangibles, or promissory notes, the  
28 debtor is not entitled to any surplus, and the obligor is not  
29 liable for any deficiency.

30 Sec. 107. NEW SECTION. 554.9609 SECURED PARTY'S RIGHT TO  
31 TAKE POSSESSION AFTER DEFAULT.

32 1. POSSESSION -- RENDERING EQUIPMENT UNUSABLE --  
33 DISPOSITION ON DEBTOR'S PREMISES. After default, a secured  
34 party:

35 a. may take possession of the collateral; and

1 b. without removal, may render equipment unusable and  
2 dispose of collateral on a debtor's premises under section  
3 554.9610.

4 2. JUDICIAL AND NONJUDICIAL PROCESS. A secured party may  
5 proceed under subsection 1:

6 a. pursuant to judicial process; or

7 b. without judicial process, if it proceeds without breach  
8 of the peace.

9 3. ASSEMBLY OF COLLATERAL. If so agreed, and in any event  
10 after default, a secured party may require the debtor to  
11 assemble the collateral and make it available to the secured  
12 party at a place to be designated by the secured party which  
13 is reasonably convenient to both parties.

14 Sec. 108. NEW SECTION. 554.9610 DISPOSITION OF  
15 COLLATERAL AFTER DEFAULT.

16 1. DISPOSITION AFTER DEFAULT. After default, a secured  
17 party may sell, lease, license, or otherwise dispose of any or  
18 all of the collateral in its present condition or following  
19 any commercially reasonable preparation or processing.

20 2. COMMERCIALY REASONABLE DISPOSITION. Every aspect of a  
21 disposition of collateral, including the method, manner, time,  
22 place, and other terms, must be commercially reasonable. If  
23 commercially reasonable, a secured party may dispose of  
24 collateral by public or private proceedings, by one or more  
25 contracts, as a unit or in parcels, and at any time and place  
26 and on any terms.

27 3. PURCHASE BY SECURED PARTY. A secured party may  
28 purchase collateral:

29 a. at a public disposition; or

30 b. at a private disposition only if the collateral is of a  
31 kind that is customarily sold on a recognized market or the  
32 subject of widely distributed standard price quotations.

33 4. WARRANTIES ON DISPOSITION. A contract for sale, lease,  
34 license, or other disposition includes the warranties relating  
35 to title, possession, quiet enjoyment, and the like which by



1 operation of law accompany a voluntary disposition of property  
2 of the kind subject to the contract.

3 5. DISCLAIMER OF WARRANTIES. A secured party may disclaim  
4 or modify warranties under subsection 4:

5 a. in a manner that would be effective to disclaim or  
6 modify the warranties in a voluntary disposition of property  
7 of the kind subject to the contract of disposition; or

8 b. by communicating to the purchaser a record evidencing  
9 the contract for disposition and including an express  
10 disclaimer or modification of the warranties.

11 6. RECORD SUFFICIENT TO DISCLAIM WARRANTIES. A record is  
12 sufficient to disclaim warranties under subsection 5 if it  
13 indicates "There is no warranty relating to title, possession,  
14 quiet enjoyment, or the like in this disposition" or uses  
15 words of similar import.

16 Sec. 109. NEW SECTION. 554.9611 NOTIFICATION BEFORE  
17 DISPOSITION OF COLLATERAL.

18 1. NOTIFICATION DATE. In this section, "notification  
19 date" means the earlier of the date on which:

20 a. a secured party sends to the debtor and any secondary  
21 obligor an authenticated notification of disposition; or

22 b. the debtor and any secondary obligor waive the right to  
23 notification.

24 2. NOTIFICATION OF DISPOSITION REQUIRED. Except as  
25 otherwise provided in subsection 4, a secured party that  
26 disposes of collateral under section 554.9610 shall send to  
27 the persons specified in subsection 3 a reasonable  
28 authenticated notification of disposition.

29 3. PERSONS TO BE NOTIFIED. To comply with subsection 2,  
30 the secured party shall send an authenticated notification of  
31 disposition to:

32 a. the debtor;

33 b. any secondary obligor; and

34 c. if the collateral is other than consumer goods:

35 (1) any other person from which the secured party has

1 received, before the notification date, an authenticated  
2 notification of a claim of an interest in the collateral;

3 (2) any other secured party or lienholder that, ten days  
4 before the notification date, held a security interest in or  
5 other lien on the collateral perfected by the filing of a  
6 financing statement that:

7 (a) identified the collateral;

8 (b) was indexed under the debtor's name as of that date;  
9 and

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

13 (3) any other secured party that, ten days before the  
14 notification date, held a security interest in the collateral  
15 perfected by compliance with a statute, regulation, or treaty  
16 described in section 554.9311, subsection 1.

17 4. SUBSECTION 2 INAPPLICABLE -- PERISHABLE COLLATERAL --  
18 RECOGNIZED MARKET. Subsection 2 does not apply if the  
19 collateral is perishable or threatens to decline speedily in  
20 value or is of a type customarily sold on a recognized market.

21 5. COMPLIANCE WITH SUBSECTION 3, PARAGRAPH "C",  
22 SUBPARAGRAPH (2). A secured party complies with the  
23 requirement for notification prescribed by subsection 3,  
24 paragraph "c", subparagraph (2), if:

25 a. not later than twenty days or earlier than thirty days  
26 before the notification date, the secured party requests, in a  
27 commercially reasonable manner, information concerning  
28 financing statements indexed under the debtor's name in the  
29 office indicated in subsection 3, paragraph "c", subparagraph  
30 (2); and

31 b. before the notification date, the secured party:

32 (1) did not receive a response to the request for  
33 information; or

34 (2) received a response to the request for information and  
35 sent an authenticated notification of disposition to each

1 secured party or other lienholder named in that response whose  
2 financing statement covered the collateral.

3 Sec. 110. NEW SECTION. 554.9612 TIMELINESS OF  
4 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

5 1. REASONABLE TIME IS QUESTION OF FACT. Except as  
6 otherwise provided in subsection 2, whether a notification is  
7 sent within a reasonable time is a question of fact.

8 2. TEN-DAY PERIOD SUFFICIENT IN NONCONSUMER TRANSACTION.  
9 In a transaction other than a consumer transaction, a  
10 notification of disposition sent after default and ten days or  
11 more before the earliest time of disposition set forth in the  
12 notification is sent within a reasonable time before the  
13 disposition.

14 Sec. 111. NEW SECTION. 554.9613 CONTENTS AND FORM OF  
15 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- GENERAL.

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

18 1. The contents of a notification of disposition are  
19 sufficient if the notification:

20 a. describes the debtor and the secured party;

21 b. describes the collateral that is the subject of the  
22 intended disposition;

23 c. states the method of intended disposition;

24 d. states that the debtor is entitled to an accounting of  
25 the unpaid indebtedness and states the charge, if any, for an  
26 accounting; and

27 e. states the time and place of a public disposition or  
28 the time after which any other disposition is to be made.

29 2. Whether the contents of a notification that lacks any  
30 of the information specified in subsection 1 are nevertheless  
31 sufficient is a question of fact.

32 3. The contents of a notification providing substantially  
33 the information specified in subsection 1 are sufficient, even  
34 if the notification includes:

35 a. information not specified by that subsection; or

S.F. \_\_\_\_\_

H.F. \_\_\_\_\_

2513

1 b. minor errors that are not seriously misleading.

2 4. A particular phrasing of the notification is not  
3 required.

4 5. The following form of notification and the form  
5 appearing in section 554.9614, subsection 3, when completed,  
6 each provides sufficient information:

7 NOTIFICATION OF DISPOSITION OF COLLATERAL

8 To: [name of debtor, obligor, or other person to which the  
9 notification is sent]

10 From: [name, address, and telephone number of secured  
11 party]

12 Name of Debtor(s): [include only if debtor(s) are not an  
13 addressee]

14 [for a public disposition:]

15 We will sell [or lease or license, as applicable] the  
16 [describe collateral] [to the highest qualified bidder] in  
17 public as follows:

18 Day and Date: \_\_\_\_\_

19 Time: \_\_\_\_\_

20 Place: \_\_\_\_\_

21 [for a private disposition:]

22 We will sell [or lease or license, as applicable] the  
23 [describe collateral] privately sometime after [day and date].

24 You are entitled to an accounting of the unpaid indebtedness  
25 secured by the property that we intend to sell [or lease or  
26 license, as applicable] [for a charge of \_\_\_\_\_ dollars].

27 You may request an accounting by calling us at [telephone  
28 number].

29 Sec. 112. NEW SECTION. 554.9614 CONTENTS AND FORM OF  
30 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- CONSUMER-  
31 GOODS TRANSACTION.

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

33 1. A notification of disposition must provide the  
34 following information:

35 a. the information specified in section 554.9613,

1 subsection 1;

2 b. a description of any liability for a deficiency of the  
3 person to which the notification is sent;

4 c. a telephone number from which the amount that must be  
5 paid to the secured party to redeem the collateral under  
6 section 554.9623 is available; and

7 d. a telephone number or mailing address from which  
8 additional information concerning the disposition and the  
9 obligation secured is available.

10 2. A particular phrasing of the notification is not  
11 required.

12 3. The following form of notification, when completed,  
13 provides sufficient information:

14 [name and address of secured party]

15 [date]

16 NOTICE OF OUR PLAN TO SELL PROPERTY

17 [name and address of any obligor who is also a debtor]

18 Subject: [identification of transaction]

19 We have your [describe collateral], because you broke  
20 promises in our agreement.

21 [for a public disposition:]

22 We will sell [describe collateral] at public sale. A sale  
23 could include a lease or license. The sale will be held as  
24 follows:

25 Date: \_\_\_\_\_

26 Time: \_\_\_\_\_

27 Place: \_\_\_\_\_

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

29 [for a private disposition:]

30 We will sell [describe collateral] at private sale sometime  
31 after [date]. A sale could include a lease or license.

32 The money that we get from the sale (after paying our costs)  
33 will reduce the amount you owe. If we get less money than you  
34 owe, you [will or will not, as applicable] still owe us the  
35 difference. If we get more money than you owe, you will get

1 the extra money, unless we must pay it to someone else.

2 You can get the property back at any time before we sell it  
3 by paying us the full amount you owe (not just the past due  
4 payments), including our expenses. To learn the exact amount you  
5 must pay, call us at [telephone number].

6 If you want us to explain to you in writing how we have  
7 figured the amount that you owe us, you may call us at  
8 [telephone number] [or write us at [secured party's address]]  
9 and request a written explanation. [We will charge you  
10 \_\_\_\_\_ for the explanation if we sent you another  
11 written explanation of the amount you owe us within the  
12 last six months.]

13 If you need more information about the sale call us at  
14 [telephone number] [or write us at [secured party's address]].

15 We are sending this notice to the following other people who  
16 have an interest in [describe collateral] or who owe money under  
17 your agreement:

18 [names of all other debtors and obligors, if any]

19 4. A notification in the form of subsection 3 is  
20 sufficient, even if additional information appears at the end  
21 of the form.

22 5. A notification in the form of subsection 3 is  
23 sufficient, even if it includes errors in information not  
24 required by subsection 1, unless the error is misleading with  
25 respect to rights arising under this Article.

26 6. If a notification under this section is not in the form  
27 of subsection 3, law other than this Article determines the  
28 effect of including information not required by subsection 1.

29 Sec. 113. NEW SECTION. 554.9615 APPLICATION OF PROCEEDS  
30 OF DISPOSITION -- LIABILITY FOR DEFICIENCY AND RIGHT TO  
31 SURPLUS.

32 1. APPLICATION OF PROCEEDS. A secured party shall apply  
33 or pay over for application the cash proceeds of disposition  
34 under section 554.9610 in the following order to:

35 a. the reasonable expenses of retaking, holding, preparing

1 for disposition, processing, and disposing, and, to the extent  
2 provided for by agreement and not prohibited by law,  
3 reasonable attorney's fees and legal expenses incurred by the  
4 secured party;

5 b. the satisfaction of obligations secured by the security  
6 interest or agricultural lien under which the disposition is  
7 made;

8 c. the satisfaction of obligations secured by any  
9 subordinate security interest in or other subordinate lien on  
10 the collateral if:

11 (1) the secured party receives from the holder of the  
12 subordinate security interest or other lien an authenticated  
13 demand for proceeds before distribution of the proceeds is  
14 completed; and

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

18 d. a secured party that is a consignor of the collateral  
19 if the secured party receives from the consignor an  
20 authenticated demand for proceeds before distribution of the  
21 proceeds is completed.

22 2. PROOF OF SUBORDINATE INTEREST. If requested by a  
23 secured party, a holder of a subordinate security interest or  
24 other lien shall furnish reasonable proof of the interest or  
25 lien within a reasonable time. Unless the holder does so, the  
26 secured party need not comply with the holder's demand under  
27 subsection 1, paragraph "c".

28 3. APPLICATION OF NONCASH PROCEEDS. A secured party need  
29 not apply or pay over for application noncash proceeds of  
30 disposition under section 554.9610 unless the failure to do so  
31 would be commercially unreasonable. A secured party that  
32 applies or pays over for application noncash proceeds shall do  
33 so in a commercially reasonable manner.

34 4. SURPLUS OR DEFICIENCY IF OBLIGATION SECURED. If the  
35 security interest under which a disposition is made secures

1 payment or performance of an obligation, after making the  
2 payments and applications required by subsection 1 and  
3 permitted by subsection 3:

4 a. unless subsection 1, paragraph "d", requires the  
5 secured party to apply or pay over cash proceeds to a  
6 consignor, the secured party shall account to and pay a debtor  
7 for any surplus; and

8 b. the obligor is liable for any deficiency.

9 5. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO  
10 PAYMENT. If the underlying transaction is a sale of accounts,  
11 chattel paper, payment intangibles, or promissory notes:

12 a. the debtor is not entitled to any surplus; and

13 b. the obligor is not liable for any deficiency.

14 6. CALCULATION OF SURPLUS OR DEFICIENCY IN DISPOSITION TO  
15 PERSON RELATED TO SECURED PARTY. The surplus or deficiency  
16 following a disposition is calculated based on the amount of  
17 proceeds that would have been realized in a disposition  
18 complying with this part to a transferee other than the  
19 secured party, a person related to the secured party, or a  
20 secondary obligor if:

21 a. the transferee in the disposition is the secured party,  
22 a person related to the secured party, or a secondary obligor;  
23 and

24 b. the amount of proceeds of the disposition is  
25 significantly below the range of proceeds that a complying  
26 disposition to a person other than the secured party, a person  
27 related to the secured party, or a secondary obligor would  
28 have brought.

29 7. CASH PROCEEDS RECEIVED BY JUNIOR SECURED PARTY. A  
30 secured party that receives cash proceeds of a disposition in  
31 good faith and without knowledge that the receipt violates the  
32 rights of the holder of a security interest or other lien that  
33 is not subordinate to the security interest or agricultural  
34 lien under which the disposition is made:

35 a. takes the cash proceeds free of the security interest



1 or other lien;

2 b. is not obligated to apply the proceeds of the  
3 disposition to the satisfaction of obligations secured by the  
4 security interest or other lien; and

5 c. is not obligated to account to or pay the holder of the  
6 security interest or other lien for any surplus.

7 Sec. 114. NEW SECTION. 554.9616 EXPLANATION OF  
8 CALCULATION OF SURPLUS OR DEFICIENCY.

9 1. DEFINITIONS. In this section:

10 a. "Explanation" means a writing that:

11 (1) states the amount of the surplus or deficiency;

12 (2) provides an explanation in accordance with subsection  
13 3 of how the secured party calculated the surplus or  
14 deficiency;

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

19 (4) provides a telephone number or mailing address from  
20 which additional information concerning the transaction is  
21 available.

22 b. "Request" means a record:

23 (1) authenticated by a debtor or consumer obligor;

24 (2) requesting that the recipient provide an explanation;  
25 and

26 (3) sent after disposition of the collateral under section  
27 554.9610.

28 2. EXPLANATION OF CALCULATION. In a consumer-goods  
29 transaction in which the debtor is entitled to a surplus or a  
30 consumer obligor is liable for a deficiency under section  
31 554.9615, the secured party shall:

32 a. send an explanation to the debtor or consumer obligor,  
33 as applicable, after the disposition and:

34 (1) before or when the secured party accounts to the  
35 debtor and pays any surplus or first makes written demand on

1 the consumer obligor after the disposition for payment of the  
2 deficiency; and

3 (2) within fourteen days after receipt of a request; or

4 b. in the case of a consumer obligor who is liable for a  
5 deficiency, within fourteen days after receipt of a request,  
6 send to the consumer obligor a record waiving the secured  
7 party's right to a deficiency.

8 3. REQUIRED INFORMATION. To comply with subsection 1,  
9 paragraph "a", subparagraph (2), a writing must provide the  
10 following information in the following order:

11 a. the aggregate amount of obligations secured by the  
12 security interest under which the disposition was made, and,  
13 if the amount reflects a rebate of unearned interest or credit  
14 service charge, an indication of that fact, calculated as of a  
15 specified date:

16 (1) if the secured party takes or receives possession of  
17 the collateral after default, not more than thirty-five days  
18 before the secured party takes or receives possession; or

19 (2) if the secured party takes or receives possession of  
20 the collateral before default or does not take possession of  
21 the collateral, not more than thirty-five days before the  
22 disposition;

23 b. the amount of proceeds of the disposition;

24 c. the aggregate amount of the obligations after deducting  
25 the amount of proceeds;

26 d. the amount, in the aggregate or by type, and types of  
27 expenses, including expenses of retaking, holding, preparing  
28 for disposition, processing, and disposing of the collateral,  
29 and attorney's fees secured by the collateral which are known  
30 to the secured party and relate to the current disposition;

31 e. the amount, in the aggregate or by type, and types of  
32 credits, including rebates of interest or credit service  
33 charges, to which the obligor is known to be entitled and  
34 which are not reflected in the amount in paragraph "a"; and

35 f. the amount of the surplus or deficiency.

1 4. SUBSTANTIAL COMPLIANCE. A particular phrasing of the  
2 explanation is not required. An explanation complying  
3 substantially with the requirements of subsection 1 is  
4 sufficient, even if it includes minor errors that are not  
5 seriously misleading.

6 5. CHARGES FOR RESPONSES. A debtor or consumer obligor is  
7 entitled without charge to one response to a request under  
8 this section during any six-month period in which the secured  
9 party did not send to the debtor or consumer obligor an  
10 explanation pursuant to subsection 2, paragraph "a". The  
11 secured party may require payment of a charge not exceeding  
12 twenty-five dollars for each additional response.

13 Sec. 115. NEW SECTION. 554.9617 RIGHTS OF TRANSFEREE OF  
14 COLLATERAL.

15 1. EFFECTS OF DISPOSITION. A secured party's disposition  
16 of collateral after default:

17 a. transfers to a transferee for value all of the debtor's  
18 rights in the collateral;

19 b. discharges the security interest under which the  
20 disposition is made; and

21 c. discharges any subordinate security interest or other  
22 subordinate lien.

23 2. RIGHTS OF GOOD-FAITH TRANSFEREE. A transferee that  
24 acts in good faith takes free of the rights and interests  
25 described in subsection 1, even if the secured party fails to  
26 comply with this Article or the requirements of any judicial  
27 proceeding.

28 3. RIGHTS OF OTHER TRANSFEREE. If a transferee does not  
29 take free of the rights and interests described in subsection  
30 1, the transferee takes the collateral subject to:

31 a. the debtor's rights in the collateral;

32 b. the security interest or agricultural lien under which  
33 the disposition is made; and

34 c. any other security interest or other lien.

35 Sec. 116. NEW SECTION. 554.9618 RIGHTS AND DUTIES OF

1 CERTAIN SECONDARY OBLIGORS.

2 1. RIGHTS AND DUTIES OF SECONDARY OBLIGOR. A secondary  
3 obligor acquires the rights and becomes obligated to perform  
4 the duties of the secured party after the secondary obligor:

5 a. receives an assignment of a secured obligation from the  
6 secured party;

7 b. receives a transfer of collateral from the secured  
8 party and agrees to accept the rights and assume the duties of  
9 the secured party; or

10 c. is subrogated to the rights of a secured party with  
11 respect to collateral.

12 2. EFFECT OF ASSIGNMENT, TRANSFER, OR SUBROGATION. An  
13 assignment, transfer, or subrogation described in subsection  
14 1:

15 a. is not a disposition of collateral under section  
16 554.9610; and

17 b. relieves the secured party of further duties under this  
18 Article.

19 Sec. 117. NEW SECTION. 554.9619 TRANSFER OF RECORD OR  
20 LEGAL TITLE.

21 1. TRANSFER STATEMENT. In this section, "transfer  
22 statement" means a record authenticated by a secured party  
23 stating:

24 a. that the debtor has defaulted in connection with an  
25 obligation secured by specified collateral;

26 b. that the secured party has exercised its post-default  
27 remedies with respect to the collateral;

28 c. that, by reason of the exercise, a transferee has  
29 acquired the rights of the debtor in the collateral; and

30 d. the name and mailing address of the secured party,  
31 debtor, and transferee.

32 2. EFFECT OF TRANSFER STATEMENT. A transfer statement  
33 entitles the transferee to the transfer of record of all  
34 rights of the debtor in the collateral specified in the  
35 statement in any official filing, recording, registration, or

1 certificate-of-title system covering the collateral. If a  
2 transfer statement is presented with the applicable fee and  
3 request form to the official or office responsible for  
4 maintaining the system, the official or office shall:

- 5 a. accept the transfer statement;
- 6 b. promptly amend its records to reflect the transfer; and
- 7 c. if applicable, issue a new appropriate certificate of  
8 title in the name of the transferee.

9 3. TRANSFER NOT A DISPOSITION -- NO RELIEF OF SECURED  
10 PARTY'S DUTIES. A transfer of the record or legal title to  
11 collateral to a secured party under subsection 2 or otherwise  
12 is not of itself a disposition of collateral under this  
13 Article and does not of itself relieve the secured party of  
14 its duties under this Article.

15 Sec. 118. NEW SECTION. 554.9620 ACCEPTANCE OF COLLATERAL  
16 IN FULL OR PARTIAL SATISFACTION OF OBLIGATION -- COMPULSORY  
17 DISPOSITION OF COLLATERAL.

18 1. CONDITIONS TO ACCEPTANCE IN SATISFACTION. Except as  
19 otherwise provided in subsection 7, a secured party may accept  
20 collateral in full or partial satisfaction of the obligation  
21 it secures only if:

- 22 a. the debtor consents to the acceptance under subsection  
23 3;
- 24 b. the secured party does not receive, within the time set  
25 forth in subsection 4, a notification of objection to the  
26 proposal authenticated by:

27 (1) a person to which the secured party was required to  
28 send a proposal under section 554.9621; or

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

32 c. if the collateral is consumer goods, the collateral is  
33 not in the possession of the debtor when the debtor consents  
34 to the acceptance; and

35 d. subsection 5 does not require the secured party to

1 dispose of the collateral or the debtor waives the requirement  
2 pursuant to section 554.9624.

3 2. PURPORTED ACCEPTANCE INEFFECTIVE. A purported or  
4 apparent acceptance of collateral under this section is  
5 ineffective unless:

6 a. the secured party consents to the acceptance in an  
7 authenticated record or sends a proposal to the debtor; and

8 b. the conditions of subsection 1 are met.

9 3. DEBTOR'S CONSENT. For purposes of this section:

10 a. a debtor consents to an acceptance of collateral in  
11 partial satisfaction of the obligation it secures only if the  
12 debtor agrees to the terms of the acceptance in a record  
13 authenticated after default; and

14 b. a debtor consents to an acceptance of collateral in  
15 full satisfaction of the obligation it secures only if the  
16 debtor agrees to the terms of the acceptance in a record  
17 authenticated after default or the secured party:

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

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

24 (3) does not receive a notification of objection  
25 authenticated by the debtor within twenty days after the  
26 proposal is sent.

27 4. EFFECTIVENESS OF NOTIFICATION. To be effective under  
28 subsection 1, paragraph "b", a notification of objection must  
29 be received by the secured party:

30 a. in the case of a person to which the proposal was sent  
31 pursuant to section 554.9621, within twenty days after  
32 notification was sent to that person; and

33 b. in other cases:

34 (1) within twenty days after the last notification was  
35 sent pursuant to section 554.9621; or

1 (2) if a notification was not sent, before the debtor  
2 consents to the acceptance under subsection 3.

3 5. MANDATORY DISPOSITION OF CONSUMER GOODS. A secured  
4 party that has taken possession of collateral shall dispose of  
5 the collateral pursuant to section 554.9610 within the time  
6 specified in subsection 6 if:

7 a. sixty percent of the cash price has been paid in the  
8 case of a purchase-money security interest in consumer goods;  
9 or

10 b. sixty percent of the principal amount of the obligation  
11 secured has been paid in the case of a non-purchase-money  
12 security interest in consumer goods.

13 6. COMPLIANCE WITH MANDATORY DISPOSITION REQUIREMENT. To  
14 comply with subsection 5, the secured party shall dispose of  
15 the collateral:

16 a. within ninety days after taking possession; or

17 b. within any longer period to which the debtor and all  
18 secondary obligors have agreed in an agreement to that effect  
19 entered into and authenticated after default.

20 7. NO PARTIAL SATISFACTION IN CONSUMER TRANSACTION. In a  
21 consumer transaction, a secured party may not accept  
22 collateral in partial satisfaction of the obligation it  
23 secures.

24 Sec. 119. NEW SECTION. 554.9621 NOTIFICATION OF PROPOSAL  
25 TO ACCEPT COLLATERAL.

26 1. PERSONS TO WHICH PROPOSAL TO BE SENT. A secured party  
27 that desires to accept collateral in full or partial  
28 satisfaction of the obligation it secures shall send its  
29 proposal to:

30 a. any person from which the secured party has received,  
31 before the debtor consented to the acceptance, an  
32 authenticated notification of a claim of an interest in the  
33 collateral;

34 b. any other secured party or lienholder that, ten days  
35 before the debtor consented to the acceptance, held a security

1 interest in or other lien on the collateral perfected by the  
2 filing of a financing statement that:

3 (1) identified the collateral;

4 (2) was indexed under the debtor's name as of that date;  
5 and

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

9 c. any other secured party that, ten days before the  
10 debtor consented to the acceptance, held a security interest  
11 in the collateral perfected by compliance with a statute,  
12 regulation, or treaty described in section 554.9311,  
13 subsection 1.

14 2. PROPOSAL TO BE SENT TO SECONDARY OBLIGOR IN PARTIAL  
15 SATISFACTION. A secured party that desires to accept  
16 collateral in partial satisfaction of the obligation it  
17 secures shall send its proposal to any secondary obligor in  
18 addition to the persons described in subsection 1.

19 Sec. 120. NEW SECTION. 554.9622 EFFECT OF ACCEPTANCE OF  
20 COLLATERAL.

21 1. EFFECT OF ACCEPTANCE. A secured party's acceptance of  
22 collateral in full or partial satisfaction of the obligation  
23 it secures:

24 a. discharges the obligation to the extent consented to by  
25 the debtor;

26 b. transfers to the secured party all of a debtor's rights  
27 in the collateral;

28 c. discharges the security interest or agricultural lien  
29 that is the subject of the debtor's consent and any  
30 subordinate security interest or other subordinate lien; and

31 d. terminates any other subordinate interest.

32 2. DISCHARGE OF SUBORDINATE INTEREST NOTWITHSTANDING  
33 NONCOMPLIANCE. A subordinate interest is discharged or  
34 terminated under subsection 1, even if the secured party fails  
35 to comply with this Article.



1     Sec. 121. NEW SECTION. 554.9623 RIGHT TO REDEEM  
2 COLLATERAL.

3     1. PERSONS THAT MAY REDEEM. A debtor, any secondary  
4 obligor, or any other secured party or lienholder may redeem  
5 collateral.

6     2. REQUIREMENTS FOR REDEMPTION. To redeem collateral, a  
7 person shall tender:

8     a. fulfillment of all obligations secured by the  
9 collateral; and

10    b. the reasonable expenses and attorney's fees described  
11 in section 554.9615, subsection 1, paragraph "a".

12    3. WHEN REDEMPTION MAY OCCUR. A redemption may occur at  
13 any time before a secured party:

14    a. has collected collateral under section 554.9607;

15    b. has disposed of collateral or entered into a contract  
16 for its disposition under section 554.9610; or

17    c. has accepted collateral in full or partial satisfaction  
18 of the obligation it secures under section 554.9622.

19     Sec. 122. NEW SECTION. 554.9624 WAIVER.

20    1. WAIVER OF DISPOSITION NOTIFICATION. A debtor or  
21 secondary obligor may waive the right to notification of  
22 disposition of collateral under section 554.9611 only by an  
23 agreement to that effect entered into and authenticated after  
24 default.

25    2. WAIVER OF MANDATORY DISPOSITION. A debtor may waive  
26 the right to require disposition of collateral under section  
27 554.9620, subsection 5, only by an agreement to that effect  
28 entered into and authenticated after default.

29    3. WAIVER OF REDEMPTION RIGHT. Except in a consumer-goods  
30 transaction, a debtor or secondary obligor may waive the right  
31 to redeem collateral under section 554.9623 only by an  
32 agreement to that effect entered into and authenticated after  
33 default.

34                                    B. NONCOMPLIANCE WITH ARTICLE

35     Sec. 123. NEW SECTION. 554.9625 REMEDIES FOR SECURED

1 PARTY'S FAILURE TO COMPLY WITH ARTICLE.

2 1. JUDICIAL ORDERS CONCERNING NONCOMPLIANCE. If it is  
3 established that a secured party is not proceeding in  
4 accordance with this Article, a court may order or restrain  
5 collection, enforcement, or disposition of collateral on  
6 appropriate terms and conditions.

7 2. DAMAGES FOR NONCOMPLIANCE. Subject to subsections 3,  
8 4, and 6, a person is liable for damages in the amount of any  
9 loss caused by a failure to comply with this Article. Loss  
\* 10 caused by a failure to comply may include loss resulting from  
11 the debtor's inability to obtain, or increased costs of,  
12 alternative financing.

13 3. PERSONS ENTITLED TO RECOVER DAMAGES -- STATUTORY  
14 DAMAGES IN CONSUMER-GOODS TRANSACTION. Except as otherwise  
15 provided in section 554.9628:

16 a. a person that, at the time of the failure, was a  
17 debtor, was an obligor, or held a security interest in or  
18 other lien on the collateral may recover damages under  
19 subsection 2 for its loss; and

20 b. if the collateral is consumer goods, a person that was  
21 a debtor or a secondary obligor at the time a secured party  
22 failed to comply with this part may recover for that failure  
23 in any event an amount not less than the credit service charge  
24 plus ten percent of the principal amount of the obligation or  
25 the time-price differential plus ten percent of the cash  
26 price.

27 4. RECOVERY WHEN DEFICIENCY ELIMINATED OR REDUCED. A  
28 debtor whose deficiency is eliminated under section 554.9626  
29 may recover damages for the loss of any surplus. However, a  
30 debtor or secondary obligor whose deficiency is eliminated or  
31 reduced under section 554.9626 may not otherwise recover under  
32 subsection 2 for noncompliance with the provisions of this  
33 part relating to collection, enforcement, disposition, or  
34 acceptance.

35 5. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SPECIFIED

1 PROVISIONS. In addition to any damages recoverable under  
2 subsection 2, the debtor, consumer obligor, or person named as  
3 a debtor in a filed record, as applicable, may recover five  
4 hundred dollars in each case from a person that:

- 5 a. fails to comply with section 554.9208;
- 6 b. fails to comply with section 554.9209;
- 7 c. files a record that the person is not entitled to file  
8 under section 554.9509, subsection 1;
- 9 d. fails to cause the secured party of record to file or  
10 send a termination statement as required by section 554.9513,  
11 subsection 1 or 3;
- 12 e. fails to comply with section 554.9616, subsection 2,  
13 paragraph "a", and whose failure is part of a pattern, or  
14 consistent with a practice, of noncompliance; or
- 15 f. fails to comply with section 554.9616, subsection 2,  
16 paragraph "b".

17 6. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SECTION  
18 554.9210. A debtor or consumer obligor may recover damages  
19 under subsection 2 and, in addition, five hundred dollars in  
20 each case from a person that, without reasonable cause, fails  
21 to comply with a request under section 554.9210. A recipient  
22 of a request under section 554.9210 which never claimed an  
23 interest in the collateral or obligations that are the subject  
24 of a request under that section has a reasonable excuse for  
25 failure to comply with the request within the meaning of this  
26 subsection.

27 7. LIMITATION OF SECURITY INTEREST -- NONCOMPLIANCE WITH  
28 SECTION 554.9210. If a secured party fails to comply with a  
29 request regarding a list of collateral or a statement of  
30 account under section 554.9210, the secured party may claim a  
31 security interest only as shown in the list or statement  
32 included in the request as against a person that is reasonably  
33 misled by the failure.

34 Sec. 124. NEW SECTION. 554.9626 ACTION IN WHICH  
35 DEFICIENCY OR SURPLUS IS IN ISSUE.

1 1. APPLICABLE RULES IF AMOUNT OF DEFICIENCY OR SURPLUS IN  
2 ISSUE. In an action arising from a transaction, other than a  
3 consumer transaction, in which the amount of a deficiency or  
4 surplus is in issue, the following rules apply:

5 a. a secured party need not prove compliance with the  
6 provisions of this part relating to collection, enforcement,  
7 disposition, or acceptance unless the debtor or a secondary  
8 obligor places the secured party's compliance in issue.

9 b. if the secured party's compliance is placed in issue,  
10 the secured party has the burden of establishing that the  
11 collection, enforcement, disposition, or acceptance was  
12 conducted in accordance with this part.

13 c. except as otherwise provided in section 554.9628, if a  
14 secured party fails to prove that the collection, enforcement,  
15 disposition, or acceptance was conducted in accordance with  
16 the provisions of this part relating to collection,  
17 enforcement, disposition, or acceptance, the liability of a  
18 debtor or a secondary obligor for a deficiency is limited to  
19 an amount by which the sum of the secured obligation,  
20 expenses, and attorney's fees exceeds the greater of:

21 (1) the proceeds of the collection, enforcement,  
22 disposition, or acceptance; or

23 (2) the amount of proceeds that would have been realized  
24 had the noncomplying secured party proceeded in accordance  
25 with the provisions of this part relating to collection,  
26 enforcement, disposition, or acceptance.

27 d. for purposes of paragraph "c", subparagraph (2), the  
28 amount of proceeds that would have been realized is equal to  
29 the sum of the secured obligation, expenses, and attorney's  
30 fees unless the secured party proves that the amount is less  
31 than that sum.

32 e. if a deficiency or surplus is calculated under section  
33 554.9615, subsection 6, the debtor or obligor has the burden  
34 of establishing that the amount of proceeds of the disposition  
35 is significantly below the range of prices that a complying

1 disposition to a person other than the secured party, a person  
2 related to the secured party, or a secondary obligor would  
3 have brought.

4 2. NONCONSUMER TRANSACTIONS -- NO INFERENCE. The  
5 limitation of the rules in subsection 1 to transactions other  
6 than consumer transactions is intended to leave to the court  
7 the determination of the proper rules in consumer  
8 transactions. The court may not infer from that limitation  
9 the nature of the proper rule in consumer transactions and may  
10 continue to apply established approaches.

11 Sec. 125. NEW SECTION. 554.9627 DETERMINATION OF WHETHER  
12 CONDUCT WAS COMMERCIALY REASONABLE.

13 1. GREATER AMOUNT OBTAINABLE UNDER OTHER CIRCUMSTANCES --  
14 NO PRECLUSION OF COMMERCIAL REASONABLENESS. The fact that a  
15 greater amount could have been obtained by a collection,  
16 enforcement, disposition, or acceptance at a different time or  
17 in a different method from that selected by the secured party  
18 is not of itself sufficient to preclude the secured party from  
19 establishing that the collection, enforcement, disposition, or  
20 acceptance was made in a commercially reasonable manner.

21 2. DISPOSITIONS THAT ARE COMMERCIALY REASONABLE. A  
22 disposition of collateral is made in a commercially reasonable  
23 manner if the disposition is made:

- 24 a. in the usual manner on any recognized market;  
25 b. at the price current in any recognized market at the  
26 time of the disposition; or  
27 c. otherwise in conformity with reasonable commercial  
28 practices among dealers in the type of property that was the  
29 subject of the disposition.

30 3. APPROVAL BY COURT OR ON BEHALF OF CREDITORS. A  
31 collection, enforcement, disposition, or acceptance is  
32 commercially reasonable if it has been approved:

- 33 a. in a judicial proceeding;  
34 b. by a bona fide creditors' committee;  
35 c. by a representative of creditors; or

1 d. by an assignee for the benefit of creditors.

2 4. APPROVAL UNDER SUBSECTION 3 NOT NECESSARY -- ABSENCE OF  
3 APPROVAL HAS NO EFFECT. Approval under subsection 3 need not  
4 be obtained, and lack of approval does not mean that the  
5 collection, enforcement, disposition, or acceptance is not  
6 commercially reasonable.

7 Sec. 126. NEW SECTION. 554.9628 NONLIABILITY AND  
8 LIMITATION ON LIABILITY OF SECURED PARTY -- LIABILITY OF  
9 SECONDARY OBLIGOR.

10 1. LIMITATION OF LIABILITY OF SECURED PARTY FOR  
11 NONCOMPLIANCE WITH ARTICLE. Unless a secured party knows that  
12 a person is a debtor or obligor, knows the identity of the  
13 person, and knows how to communicate with the person:

14 a. the secured party is not liable to the person, or to a  
15 secured party or lienholder that has filed a financing  
16 statement against the person, for failure to comply with this  
17 Article; and

18 b. the secured party's failure to comply with this Article  
19 does not affect the liability of the person for a deficiency.

20 2. LIMITATION OF LIABILITY BASED ON STATUS AS SECURED  
21 PARTY. A secured party is not liable because of its status as  
22 secured party:

23 a. to a person that is a debtor or obligor, unless the  
24 secured party knows:

25 (1) that the person is a debtor or obligor;

26 (2) the identity of the person; and

27 (3) how to communicate with the person; or

28 b. to a secured party or lienholder that has filed a  
29 financing statement against a person, unless the secured party  
30 knows:

31 (1) that the person is a debtor; and

32 (2) the identity of the person.

33 3. LIMITATION OF LIABILITY IF REASONABLE BELIEF THAT  
34 TRANSACTION NOT A CONSUMER-GOODS TRANSACTION OR CONSUMER  
35 TRANSACTION. A secured party is not liable to any person, and

1 a person's liability for a deficiency is not affected, because  
2 of any act or omission arising out of the secured party's  
3 reasonable belief that a transaction is not a consumer-goods  
4 transaction or a consumer transaction or that goods are not  
5 consumer goods, if the secured party's belief is based on its  
6 reasonable reliance on:

7 a. a debtor's representation concerning the purpose for  
8 which collateral was to be used, acquired, or held; or

9 b. an obligor's representation concerning the purpose for  
10 which a secured obligation was incurred.

11 4. LIMITATION OF LIABILITY FOR STATUTORY DAMAGES. A  
12 secured party is not liable to any person under section  
13 554.9625, subsection 3, paragraph "b", for its failure to  
14 comply with section 554.9616.

15 5. LIMITATION OF MULTIPLE LIABILITY FOR STATUTORY DAMAGES.  
16 A secured party is not liable under section 554.9625,  
17 subsection 3, paragraph "b", more than once with respect to  
18 any one secured obligation.

19 PART 7

20 TRANSITION

21 Sec. 127. NEW SECTION. 554.9701 EFFECTIVE DATE.

22 This Article takes effect on July 1, 2001.

23 Sec. 128. NEW SECTION. 554.9702 SAVINGS CLAUSE.

24 1. PRE-EFFECTIVE-DATE TRANSACTIONS OR LIENS. Except as  
25 otherwise provided in this part, this Act applies to a  
26 transaction or lien within its scope, even if the transaction  
27 or lien was entered into or created before this Act takes  
28 effect.

29 2. CONTINUING VALIDITY. Except as otherwise provided in  
30 subsection 3 and sections 554.9703, 554.9704, 554.9705,  
31 554.9706, 554.9707, 554.9708, and 554.9709:

32 a. transactions and liens that were not governed by former  
33 Article 9, were validly entered into or created before this  
34 Act takes effect, and would be subject to this Act if they had  
35 been entered into or created after this Act takes effect, and

1 the rights, duties, and interests flowing from those  
2 transactions and liens remain valid after this Act takes  
3 effect; and

4 b. the transactions and liens may be terminated,  
5 completed, consummated, and enforced as required or permitted  
6 by this Act or by the law that otherwise would apply if this  
7 Act had not taken effect.

8 3. PRE-EFFECTIVE-DATE PROCEEDINGS. This Act does not  
9 affect an action, case, or proceeding commenced before this  
10 Act takes effect.

11 Sec. 129. NEW SECTION. 554.9703 SECURITY INTEREST  
12 PERFECTED BEFORE EFFECTIVE DATE.

13 1. CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION  
14 REQUIREMENTS SATISFIED. A security interest that is  
15 enforceable immediately before this Act takes effect and would  
16 have priority over the rights of a person that becomes a lien  
17 creditor at that time is a perfected security interest under  
18 this Act if, when this Act takes effect, the applicable  
19 requirements for enforceability and perfection under this Act  
20 are satisfied without further action.

21 2. CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION  
22 REQUIREMENTS NOT SATISFIED. Except as otherwise provided in  
23 section 554.9705, if, immediately before this Act takes  
24 effect, a security interest is enforceable and would have  
25 priority over the rights of a person that becomes a lien  
26 creditor at that time, but the applicable requirements for  
27 enforceability or perfection under this Act are not satisfied  
28 when this Act takes effect, the security interest:

29 a. is a perfected security interest for one year after  
30 this Act takes effect;

31 b. remains enforceable thereafter only if the security  
32 interest becomes enforceable under section 554.9203 before the  
33 year expires; and

34 c. remains perfected thereafter only if the applicable  
35 requirements for perfection under this Act are satisfied



1 before the year expires.

2 Sec. 130. NEW SECTION. 554.9704 SECURITY INTEREST

3 UNPERFECTED BEFORE EFFECTIVE DATE.

4 A security interest that is enforceable immediately before  
5 this Act takes effect but which would be subordinate to the  
6 rights of a person that becomes a lien creditor at that time:

7 1. remains an enforceable security interest for one year  
8 after this Act takes effect;

9 2. remains enforceable thereafter if the security interest  
10 becomes enforceable under section 554.9203 when this Act takes  
11 effect or within one year thereafter; and

12 3. becomes perfected:

13 a. without further action, when this Act takes effect if  
14 the applicable requirements for perfection under this Act are  
15 satisfied before or at that time; or

16 b. when the applicable requirements for perfection are  
17 satisfied if the requirements are satisfied after that time.

18 Sec. 131. NEW SECTION. 554.9705 EFFECTIVENESS OF ACTION  
19 TAKEN BEFORE EFFECTIVE DATE.

20 1. PRE-EFFECTIVE-DATE ACTION -- ONE-YEAR PERFECTION PERIOD  
21 UNLESS REPERFECTED. If action, other than the filing of a  
22 financing statement, is taken before this Act takes effect and  
23 the action would have resulted in priority of a security  
24 interest over the rights of a person that becomes a lien  
25 creditor had the security interest become enforceable before  
26 this Act takes effect, the action is effective to perfect a  
27 security interest that attaches under this Act within one year  
28 after this Act takes effect. An attached security interest  
29 becomes unperfected one year after this Act takes effect  
30 unless the security interest becomes a perfected security  
31 interest under this Act before the expiration of that period.

32 2. PRE-EFFECTIVE-DATE FILING. The filing of a financing  
33 statement before this Act takes effect is effective to perfect  
34 a security interest to the extent the filing would satisfy the  
35 applicable requirements for perfection under this Act.

1       3. PRE-EFFECTIVE-DATE FILING IN JURISDICTION FORMERLY  
2 GOVERNING PERFECTION. This Act does not render ineffective an  
3 effective financing statement that, before this Act takes  
4 effect, is filed and satisfies the applicable requirements for  
5 perfection under the law of the jurisdiction governing  
6 perfection as provided in former section 554.9103. However,  
7 except as otherwise provided in subsections 4 and 5 and  
8 section 554.9706, the financing statement ceases to be  
9 effective at the earlier of:

10       a. the time the financing statement would have ceased to  
11 be effective under the law of the jurisdiction in which it is  
12 filed; or

13       b. June 30, 2006.

14       4. CONTINUATION STATEMENT. The filing of a continuation  
15 statement after this Act takes effect does not continue the  
16 effectiveness of the financing statement filed before this Act  
17 takes effect. However, upon the timely filing of a  
18 continuation statement after this Act takes effect and in  
19 accordance with the law of the jurisdiction governing  
20 perfection as provided in part 3, the effectiveness of a  
21 financing statement filed in the same office in that  
22 jurisdiction before this Act takes effect continues for the  
23 period provided by the law of that jurisdiction.

24       5. APPLICATION OF SUBSECTION 3, PARAGRAPH "B", TO  
25 TRANSMITTING UTILITY FINANCING STATEMENT. Subsection 3,  
26 paragraph "b", applies to a financing statement that, before  
27 this Act takes effect, is filed against a transmitting utility  
28 and satisfies the applicable requirements for perfection under  
29 the law of the jurisdiction governing perfection as provided  
30 in former section 554.9103 only to the extent that part 3  
31 provides that the law of a jurisdiction other than the  
32 jurisdiction in which the financing statement is filed governs  
33 perfection of a security interest in collateral covered by the  
34 financing statement.

35       6. APPLICATION OF PART 5. A financing statement that

1 includes a financing statement filed before this Act takes  
2 effect and a continuation statement filed after this Act takes  
3 effect is effective only to the extent that it satisfies the  
4 requirements of part 5 for an initial financing statement.

5 Sec. 132. NEW SECTION. 554.9706 WHEN INITIAL FINANCING  
6 STATEMENT SUFFICES TO CONTINUE EFFECTIVENESS OF FINANCING  
7 STATEMENT.

8 1. INITIAL FINANCING STATEMENT IN LIEU OF CONTINUATION  
9 STATEMENT. The filing of an initial financing statement in  
10 the office specified in section 554.9501 continues the  
11 effectiveness of a financing statement filed before this Act  
12 takes effect if:

13 a. the filing of an initial financing statement in that  
14 office would be effective to perfect a security interest under  
15 this Act;

16 b. the pre-effective-date financing statement was filed in  
17 an office in another state or another office in this state;  
18 and

19 c. the initial financing statement satisfies subsection 3.

20 2. PERIOD OF CONTINUED EFFECTIVENESS. The filing of an  
21 initial financing statement under subsection 1 continues the  
22 effectiveness of the pre-effective-date financing statement:

23 a. if the initial financing statement is filed before this  
24 Act takes effect, for the period provided in former section  
25 554.9403 with respect to a financing statement; and

26 b. if the initial financing statement is filed after this  
27 Act takes effect, for the period provided in section 554.9515  
28 with respect to an initial financing statement.

29 3. REQUIREMENTS FOR INITIAL FINANCING STATEMENT UNDER  
30 SUBSECTION 1. To be effective for purposes of subsection 1,  
31 an initial financing statement must:

32 a. satisfy the requirements of part 5 for an initial  
33 financing statement;

34 b. identify the pre-effective-date financing statement by  
35 indicating the office in which the financing statement was

1 filed and providing the dates of filing and file numbers, if  
2 any, of the financing statement and of the most recent  
3 continuation statement filed with respect to the financing  
4 statement; and

5 c. indicate that the pre-effective-date financing  
6 statement remains effective.

7 Sec. 133. NEW SECTION. 554.9707 AMENDMENT OF PRE-  
8 EFFECTIVE-DATE FINANCING STATEMENT.

9 1. PRE-EFFECTIVE-DATE FINANCING STATEMENT. In this  
10 section, "pre-effective-date financing statement" means a  
11 financing statement filed before this Act takes effect.

12 2. APPLICABLE LAW. After this Act takes effect, a person  
13 may add or delete collateral covered by, continue or terminate  
14 the effectiveness of, or otherwise amend the information  
15 provided in, a pre-effective-date financing statement only in  
16 accordance with the law of the jurisdiction governing  
17 perfection as provided in part 3. However, the effectiveness  
18 of pre-effective-date financing statement also may be  
19 terminated in accordance with the law of the jurisdiction in  
20 which the financing statement is filed.

21 3. METHOD OF AMENDING -- GENERAL RULE. Except as  
22 otherwise provided in subsection 4, if the law of this state  
23 governs perfection of a security interest, the information in  
24 a pre-effective-date financing statement may be amended after  
25 this Act takes effect only if:

26 a. The pre-effective-date financing statement and an  
27 amendment are filed in the office specified in section  
28 554.9501; or

29 b. An amendment is filed in the office specified in  
30 section 554.9501 concurrently with, or after the filing in  
31 that office of, an initial financing statement that satisfies  
32 section 554.9706, subsection 3; or

33 c. An initial financing statement that provides the  
34 information as amended and satisfies section 554.9706,  
35 subsection 3 is filed in the office specified in section

1 554.9501.

2 4. METHOD OF AMENDING -- CONTINUATION. If the law of this  
3 state governs perfection of a security interest, the  
4 effectiveness of a pre-effective-date financing statement may  
5 be continued only under section 554.9705, subsections 4 and 6  
6 or section 554.9706.

7 5. METHOD OF AMENDING -- ADDITIONAL TERMINATION RULE.

8 Whether or not the law of this state governs perfection of a  
9 security interest, the effectiveness of a pre-effective-date  
10 financing statement filed in this state may be terminated  
11 after this Act takes effect by filing a termination statement  
12 in the office in which the pre-effective-date financing  
13 statement is filed, unless an initial financing statement that  
14 satisfies section 554.9706, subsection 3, has been filed in  
15 the office specified by the law of the jurisdiction governing  
16 perfection as provided in part 3 as the office in which to  
17 file a financing statement.

18 Sec. 134. NEW SECTION. 554.9708 PERSONS ENTITLED TO FILE  
19 INITIAL FINANCING STATEMENT OR CONTINUATION STATEMENT.

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

- 22 1. the secured party of record authorizes the filing; and  
23 2. the filing is necessary under this part:  
24 a. to continue the effectiveness of a financing statement  
25 filed before this Act takes effect; or  
26 b. to perfect or continue the perfection of a security  
27 interest.

28 Sec. 135. NEW SECTION. 554.9709 PRIORITY.

29 1. LAW GOVERNING PRIORITY. This Act determines the  
30 priority of conflicting claims to collateral. However, if the  
31 relative priorities of the claims were established before this  
32 Act takes effect, former Article 9 determines priority.

33 2. PRIORITY IF SECURITY INTEREST BECOMES ENFORCEABLE UNDER  
34 SECTION 554.9203. For purposes of section 554.9322,  
35 subsection 1, the priority of a security interest that becomes

1 enforceable under section 554.9203 of this Act dates from the  
2 time this Act takes effect if the security interest is  
3 perfected under this Act by the filing of a financing  
4 statement before this Act takes effect which would not have  
5 been effective to perfect the security interest under former  
6 Article 9. This subsection does not apply to conflicting  
7 security interests each of which is perfected by the filing of  
8 such a financing statement.

9 Sec. 136. NEW SECTION. 554.9710 "FORMER" DEFINED.

10 References in this part to "former Article 9" or a former  
11 section are to that Article or section as in effect  
12 immediately before this Act takes effect.

13 DIVISION II

14 CONFORMING AMENDMENTS TO CODE CHAPTER 554

15 Sec. 137. Section 554.1105, subsection 2, Code 1999, is  
16 amended to read as follows:

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

22 Rights of creditors against sold goods. Section 554.2402.

23 Applicability of the Article on Bank Deposits and  
24 Collections. Section 554.4102.

25 Letters of Credit. Section 554.5116.

26 Applicability of the Article on Investment Securities.  
27 Section 554.8110.

28 ~~Perfection-provisions-of-the-Article-on-Secured~~  
29 ~~Transactions.--Section-554.9103.~~

30 Law governing perfection, the effect of perfection or  
31 nonperfection, and the priority of security interests and  
32 agricultural liens. Sections 554.9301, 554.9302, 554.9303,  
33 554.9304, 554.9305, 554.9306, and 554.9307.

34 Governing law in the Article on Funds Transfers. Section  
35 554.12507.

1 Applicability of the Article on Leases. Sections 554.13105  
2 and 554.13106.

3 Sec. 138. Section 554.1201, subsections 9 and 32, Code  
4 1999, are amended to read as follows:

5 9. "Buyer in ordinary course of business" means a person  
6 who that buys goods in good faith, and without knowledge that  
7 the sale to-that-person-is-in-violation-of violates the  
8 ownership rights or-security-interest of a-third-party another  
9 person in the goods buys, and in the ordinary course from a  
10 person, other than a pawnbroker, in the business of selling  
11 goods of that kind but-does-not-include-a-pawnbroker. All  
12 persons-who-sell-minerals-or-the-like-(including-oil-and-gas)  
13 at-wellhead-or-minehead-shall-be-deemed-to-be-persons A person  
14 buys goods in the ordinary course if the sale to the person  
15 comports with the usual or customary practices in the kind of  
16 business in which the seller is engaged or with the seller's  
17 own usual or customary practices. A person that sells oil,  
18 gas, or other minerals at the wellhead or minehead is a person  
19 in the business of selling goods of that kind. "Buying" A  
20 buyer in ordinary course of business may be buy for cash, or  
21 by exchange of other property, or on secured or unsecured  
22 credit, and includes-receiving may acquire goods or documents  
23 of title under a pre-existing contract for sale but-does-not  
24 include-a-transfer-in-bulk-or-as-security-for-or-in-total-or  
25 partial-satisfaction-of-a-money-debt. Only a buyer that takes  
26 possession of the goods or has a right to recover the goods  
27 from the seller under article 2 may be a buyer in ordinary  
28 course of business. A person that acquires goods in a  
29 transfer in bulk or as security for or in total or partial  
30 satisfaction of a money debt is not a buyer in ordinary course  
31 of business.

32 32. "Purchase" means any voluntary transaction creating an  
33 interest in property, including taking by sale, discount,  
34 negotiation, mortgage, pledge, voluntary lien, security  
35 interest, issue, reissue, or gift.

1 Sec. 139. Section 554.1201, subsection 37, paragraph a,  
2 Code 1999, is amended to read as follows:

3 a. "Security interest" means an interest in personal  
4 property or fixtures which secures payment or performance of  
5 an obligation. ~~The retention or reservation of title by a~~  
6 ~~seller of goods notwithstanding shipment or delivery to the~~  
7 ~~buyer (section 554.2401) is limited in effect to a reservation~~  
8 ~~of a "security interest".~~ The term also includes any interest  
9 of a consignor and a buyer of accounts, or chattel paper  
10 which, a payment intangible, or a promissory note in a  
11 transaction that is subject to Article 9. The special  
12 property interest of a buyer of goods on identification of  
13 those goods to a contract for sale under section 554.2401 is  
14 not a "security interest", but a buyer may also acquire a  
15 "security interest" by complying with Article 9. ~~Unless a~~  
16 ~~consignment is intended as security, reservation of title~~  
17 ~~thereunder is not a "security interest", but a consignment in~~  
18 ~~any event is subject to the provisions on consignment sales~~  
19 ~~(section 554.2326).~~ Except as otherwise provided in section  
20 554.2505, the right of a seller or lessor of goods under  
21 Article 2 or 13 to retain or acquire possession of the goods  
22 is not a "security interest", but a seller or lessor may also  
23 acquire a "security interest" by complying with Article 9.  
24 The retention or reservation of title by a seller of goods  
25 notwithstanding shipment or delivery to the buyer (section  
26 554.2401) is limited in effect to a reservation of a "security  
27 interest".

28 Sec. 140. Section 554.2103, subsection 3, Code 1999, is  
29 amended to read as follows:

30 3. The following definitions in other Articles apply to  
31 this Article:

- 32 "Check" Section 554.3104
- 33 "Consignee" Section 554.7102
- 34 "Consignor" Section 554.7102
- 35 "Consumer goods" Section 554.9109



1		<u>Section 554.9102</u>
2	"Dishonor"	Section 554.3502
3	"Draft"	Section 554.3104

4 Sec. 141. Section 554.2210, subsection 2, Code 1999, is  
5 amended to read as follows:

6 2. Unless Except as otherwise provided in section  
7 554.9406, unless otherwise agreed all rights of either seller  
8 or buyer can be assigned except where the assignment would  
9 materially change the duty of the other party, or increase  
10 materially the burden of risk imposed on the other party by  
11 the contract, or impair materially the other party's chance of  
12 obtaining return performance. A right to damages for breach  
13 of the whole contract or a right arising out of the assignor's  
14 due performance of the assignor's entire obligation can be  
15 assigned despite agreement otherwise.

16 Sec. 142. Section 554.2210, Code 1999, is amended by  
17 adding the following new subsection, and renumbering  
18 subsequent subsections:

19 NEW SUBSECTION. 3. The creation, attachment, perfection,  
20 or enforcement of a security interest in the seller's interest  
21 under a contract is not a transfer that materially changes the  
22 duty of or increases materially the burden or risk imposed on  
23 the buyer or impairs materially the buyer's chance of  
24 obtaining return performance within the purview of subsection  
25 2 unless, and then only to the extent that, enforcement  
26 actually results in a delegation of material performance of  
27 the seller. Even in that event, the creation, attachment,  
28 perfection, and enforcement of the security interest remain  
29 effective, but (i) the seller is liable to the buyer for  
30 damages caused by the delegation to the extent that the  
31 damages could not reasonably be prevented by the buyer, and  
32 (ii) a court having jurisdiction may grant other appropriate  
33 relief, including cancellation of the contract for sale or an  
34 injunction against enforcement of the security interest or  
35 consummation of ~~the~~ enforcement.

1 Sec. 143. Section 554.2326, Code 1999, is amended to read  
2 as follows:

3 554.2326 SALE ON APPROVAL AND SALE OR RETURN --  
4 CONSIGNMENT-SALES-AND RIGHTS OF CREDITORS.

5 1. Unless otherwise agreed, if delivered goods may be  
6 returned by the buyer even though they conform to the  
7 contract, the transaction is

8 a. a "sale on approval" if the goods are delivered  
9 primarily for use, and

10 b. a "sale or return" if the goods are delivered primarily  
11 for resale.

12 2. ~~Except as provided in subsection 3, goods~~ Goods held on  
13 approval are not subject to the claims of the buyer's  
14 creditors until acceptance; goods held on sale or return are  
15 subject to such claims while in the buyer's possession.

16 ~~3.--Where goods are delivered to a person for sale and such~~  
17 ~~person maintains a place of business at which that person~~  
18 ~~deals in goods of the kind involved, under a name other than~~  
19 ~~the name of the person making delivery, then with respect to~~  
20 ~~claims of creditors of the person conducting the business the~~  
21 ~~goods are deemed to be on sale or return.--The provisions of~~  
22 ~~this subsection are applicable even though an agreement~~  
23 ~~purports to reserve title to the person making delivery until~~  
24 ~~payment or resale or uses such words as "on consignment" or~~  
25 ~~"on memorandum".--However, this subsection is not applicable~~  
26 ~~if the person making delivery~~

27 ~~a.--complies with an applicable law providing for a~~  
28 ~~consignor's interest or the like to be evidenced by a sign, or~~

29 ~~b.--establishes that the person conducting the business is~~  
30 ~~generally known by creditors of the person conducting the~~  
31 ~~business to be substantially engaged in selling the goods of~~  
32 ~~others, or~~

33 ~~c.--complies with the filing provisions of the Article on~~  
34 ~~Secured Transactions (Article 9);~~

35 4. 3. Any "or return" term of a contract for sale is to be

1 treated as a separate contract for sale within the statute of  
2 frauds section of this Article (section 554.2201) and as  
3 contradicting the sale aspect of the contract within the  
4 provisions of this Article on parol or extrinsic evidence  
5 (section 554.2202).

6 Sec. 144. Section 554.2502, Code 1999, is amended to read  
7 as follows:

8 554.2502 BUYER'S RIGHT TO GOODS ON SELLER'S REPUDIATION,  
9 FAILURE TO DELIVER, OR INSOLVENCY.

10 1. Subject to ~~subsection~~ subsections 2 and 3 and even  
11 though the goods have not been shipped a buyer who has paid a  
12 part or all of the price of goods in which the buyer has a  
13 special property under the provisions of the immediately  
14 preceding section may on making and keeping good a tender of  
15 any unpaid portion of their price recover them from the seller  
16 if:

17 a. in the case of goods bought for personal, family, or  
18 household purposes, the seller repudiates or fails to deliver  
19 as required by the contract; or

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

22 2. The buyer's right to recover the goods under subsection  
23 1, paragraph "a", vests upon acquisition of a special  
24 property, even if the seller had not then repudiated or failed  
25 to deliver.

26 ~~2.~~ 3. If the identification creating the buyer's special  
27 property has been made by the buyer, the buyer acquires the  
28 right to recover the goods only if they conform to the  
29 contract for sale.

30 Sec. 145. Section 554.2716, subsection 3, Code 1999, is  
31 amended to read as follows:

32 3. The buyer has a right of replevin for goods identified  
33 to the contract if after reasonable effort the buyer is unable  
34 to effect cover for such goods or the circumstances reasonably  
35 indicate that such effort will be unavailing or if the goods

1 have been shipped under reservation and satisfaction of the  
2 security interest in them has been made or tendered. In the  
3 case of goods bought for personal, family, or household  
4 purposes, the buyer's right of replevin vests upon acquisition  
5 of a special property, even if the seller had not then  
6 repudiated or failed to deliver.

7 Sec. 146. Section 554.4210, subsection 3, paragraph a,  
8 Code 1999, is amended to read as follows:

9 a. no security agreement is necessary to make the security  
10 interest enforceable (section 554.9203, subsection  $\pm$  2,  
11 paragraph "a" "c", subparagraph (1));

12 Sec. 147. NEW SECTION. 554.5118 SECURITY INTEREST OF  
13 ISSUER OR NOMINATED PERSON.

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

18 2. So long as and to the extent that an issuer or  
19 nominated person has not been reimbursed or has not otherwise  
20 recovered the value given with respect to a security interest  
21 in a document under subsection 1, the security interest  
22 continues and is subject to Article 9, but:

23 a. a security agreement is not necessary to make the  
24 security interest enforceable under section 554.9203,  
25 subsection 2, paragraph "c";

26 b. if the document is presented in a medium other than a  
27 written or other tangible medium, the security interest is  
28 perfected; and

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

35 Sec. 148. Section 554.7503, subsection 1, paragraph a,

1 Code 1999, is amended to read as follows:

2 a. delivered or entrusted them or any document of title  
3 covering them to the bailor or the bailor's nominee with  
4 actual or apparent authority to ship, store or sell or with  
5 power to obtain delivery under this Article (section 554.7403)  
6 or with power of disposition under this chapter (sections  
7 554.2403 and ~~554-9307~~ 554.9320) or other statute or rule of  
8 law; nor

9 Sec. 149. Section 554.8103, subsection 6, Code 1999, is  
10 amended to read as follows:

11 6. A commodity contract, as defined in section ~~554-9115~~  
12 554.9102, subsection 1, paragraph "o", is not a security or a  
13 financial asset.

14 Sec. 150. Section 554.8106, subsections 4 and 6, Code  
15 1999, are amended to read as follows:

16 4. A purchaser has "control" of a security entitlement if:

17 a. the purchaser becomes the entitlement holder; or  
18 b. the securities intermediary has agreed that it will  
19 comply with entitlement orders originated by the purchaser  
20 without further consent by the entitlement holder; or

21 c. another person has control of the security entitlement  
22 on behalf of the purchaser or, having previously acquired  
23 control of the security entitlement, acknowledges that it has  
24 control on behalf of the purchaser.

25 6. A purchaser who has satisfied the requirements of  
26 subsection ~~3~~-paragraph-"b", or subsection 4, ~~paragraph-"b"~~,  
27 has control, even if the registered owner in the case of  
28 subsection 3, paragraph "b", or the entitlement holder in the  
29 case of subsection 4, ~~paragraph-"b"~~, retains the right to make  
30 substitutions for the uncertificated security or security  
31 entitlement, to originate instructions or entitlement orders  
32 to the issuer or securities intermediary, or otherwise to deal  
33 with the uncertificated security or security entitlement.

34 Sec. 151. Section 554.8110, subsection 5, paragraphs a  
35 through d, Code 1999, are amended to read as follows:

1 a. if an agreement between the securities intermediary and  
2 its entitlement holder ~~specifies that it is governed by the~~  
3 ~~law of a particular jurisdiction~~ governing the securities  
4 account expressly provides that a particular jurisdiction is  
5 the securities intermediary's jurisdiction for purposes of  
6 this part, this Article, or this [Act], that jurisdiction is  
7 the securities intermediary's jurisdiction.

8 b. if paragraph "a" does not apply and an agreement  
9 between the securities intermediary and its entitlement holder  
10 governing the securities account expressly provides that the  
11 agreement is governed by the law of a particular jurisdiction,  
12 that jurisdiction is the securities intermediary's  
13 jurisdiction.

14 c. if neither paragraph "a" nor paragraph "b" applies and  
15 an agreement between the securities intermediary and its  
16 entitlement holder ~~does not specify the governing law as~~  
17 ~~provided in paragraph "a",~~ but governing the securities  
18 account expressly specifies provides that the securities  
19 account is maintained at an office in a particular  
20 jurisdiction, that jurisdiction is the securities  
21 intermediary's jurisdiction.

22 c. d. if an agreement between the securities intermediary  
23 and its entitlement holder does not specify a jurisdiction as  
24 provided in paragraph "a" or "b" none of the preceding  
25 paragraphs applies, the securities intermediary's jurisdiction  
26 is the jurisdiction in which ~~is located~~ the office identified  
27 in an account statement as the office serving the entitlement  
28 holder's account is located.

29 d. e. if an agreement between the securities intermediary  
30 and its entitlement holder does not specify a jurisdiction as  
31 provided in paragraph "a" or "b" and an account statement does  
32 not identify an office serving the entitlement holder's  
33 account as provided in paragraph "e" none of the preceding  
34 paragraphs applies, the securities intermediary's jurisdiction  
35 is the jurisdiction in which ~~is located~~ the chief executive

1 office of the securities intermediary is located.

2 Sec. 152. Section 554.8301, subsection 1, paragraph c,  
3 Code 1999, is amended to read as follows:

4 c. a securities intermediary acting on behalf of the  
5 purchaser acquires possession of the security certificate,  
6 only if the certificate is in registered form and has-been is  
7 (i) registered in the name of the purchaser, (ii) payable to  
8 the order of the purchaser, or (iii) specially indorsed to the  
9 purchaser by an effective indorsement and has not been  
10 indorsed to the securities intermediary or in blank.

11 Sec. 153. Section 554.8302, subsection 1, Code 1999, is  
12 amended to read as follows:

13 1. Except as otherwise provided in subsections 2 and 3,  
14 upon-delivery a purchaser of a certificated or uncertificated  
15 security ~~to-a-purchaser,--the-purchaser~~ acquires all rights in  
16 the security that the transferor had or had power to transfer.

17 Sec. 154. Section 554.8510, Code 1999, is amended to read  
18 as follows:

19 554.8510 RIGHTS OF PURCHASER OF SECURITY ENTITLEMENT FROM  
20 ENTITLEMENT HOLDER.

21 1. An In a case not covered by the priority rules in  
22 Article 9 or the rules stated in subsection 3, an action based  
23 on an adverse claim to a financial asset or security  
24 entitlement, whether framed in conversion, replevin,  
25 constructive trust, equitable lien, or other theory, may not  
26 be asserted against a person who purchases a security  
27 entitlement, or an interest therein, from an entitlement  
28 holder if the purchaser gives value, does not have notice of  
29 the adverse claim, and obtains control.

30 2. If an adverse claim could not have been asserted  
31 against an entitlement holder under section 554.8502, the  
32 adverse claim cannot be asserted against a person who  
33 purchases a security entitlement, or an interest therein, from  
34 the entitlement holder.

35 3. In a case not covered by the priority rules in Article

1 9, a purchaser for value of a security entitlement, or an  
2 interest therein, who obtains control has priority over a  
3 purchaser of a security entitlement, or an interest therein,  
4 who does not obtain control. Purchasers Except as otherwise  
5 provided in subsection 4, purchasers who have control rank  
6 equally, -except-that-a according to priority in time of:

7 a. the purchaser's becoming the person for whom the  
8 securities account, in which the security entitlement is  
9 carried, is maintained, if the purchaser obtained control  
10 under section 554.8106, subsection 4, paragraph "a";

11 b. the securities intermediary's agreement to comply with  
12 the purchaser's entitlement orders with respect to security  
13 entitlements carried or to be carried in the securities  
14 account in which the security entitlement is carried, if the  
15 purchaser obtained control under section 554.8106, subsection  
16 4, paragraph "b";

17 c. if the purchaser obtained control through another  
18 person under section 554.8106, subsection 4, paragraph "c",  
19 the time on which priority would be based under this  
20 subsection if the other person were the secured party; or

21 4. A securities intermediary as purchaser has priority  
22 over a conflicting purchaser who has control unless otherwise  
23 agreed by the securities intermediary.

24 Sec. 155. Section 554.11108, Code 1999, is amended to read  
25 as follows:

26 554.11108 PRESUMPTION THAT RULE OF LAW CONTINUES  
27 UNCHANGED.

28 Unless a change in law has clearly been made, the  
29 provisions of this chapter as amended shall be deemed  
30 declaratory of the meaning of this chapter prior to amendment.  
31 ~~The first sentence of section 554.9402, subsection 7, shall be~~  
32 ~~deemed to be a change in law.~~

33 Sec. 156. Section 554.13103, subsection 3, Code 1999, is  
34 amended to read as follows:

35 3. The following definitions in other Articles apply to



1	this Article:	
2	"Account"	Section 554-9106 <u>554.9102,</u>
3		<u>subsection 1, paragraph "b"</u>
4	"Between merchants"	Section 554.2104,
5		subsection 3
6	"Buyer"	Section 554.2103,
7		subsection 1, paragraph "a"
8	"Chattel paper"	Section 554-9105 <u>554.9102,</u>
9		subsection 1, paragraph "b" <u>"k"</u>
10	"Consumer goods"	Section 554-9109 <u>554.9102,</u>
11		subsection 1, <u>paragraph "w"</u>
12	"Document"	Section 554-9105 <u>554.9102,</u>
13		subsection 1, paragraph "f" <u>"ad"</u>
14	"Entrusting"	Section 554.2403,
15		subsection 3
16	<del>"General intangibles"</del>	<del>Section 554-9106</del>
17	<u>"General intangible"</u>	Section 554.9102,
18		<u>subsection 1, paragraph "ap"</u>
19	"Good faith"	Section 554.2103,
20		subsection 1, paragraph "b"
21	"Instrument"	Section 554-9105 <u>554.9102,</u>
22		subsection 1, paragraph "i" <u>"au"</u>
23	"Merchant"	Section 554.2104,
24		subsection 1
25	"Mortgage"	Section 554-9105 <u>554.9102,</u>
26		subsection 1, paragraph "j" <u>"bc"</u>
27	"Pursuant to commitment"	Section 554-9105 <u>554.9102,</u>
28		subsection 1, paragraph "k" <u>"bq"</u>
29	"Receipt"	Section 554.2103,
30		subsection 1, paragraph "c"
31	"Sale"	Section 554.2106,
32		subsection 1
33	"Sale on approval"	Section 554.2326
34	"Sale or return"	Section 554.2326
35	"Seller"	Section 554.2103,

1 subsection 1, paragraph "d"

2 Sec. 157. Section 554.13303, subsections 1 through 5, Code  
3 1999, are amended to read as follows:

4 1. As used in this section, "creation of a security  
5 interest" includes the sale of a lease contract that is  
6 subject to Article 9, Secured Transactions, by reason of  
7 section ~~554.9102~~ 554.9109, subsection 1, paragraph "b" "c".

8 2. Except as provided in subsections subsection 3 and 4,  
9 and section 554.9407, a provision in a lease agreement which  
10 (i) prohibits the voluntary or involuntary transfer, including  
11 a transfer by sale, sublease, creation or enforcement of a  
12 security interest, or attachment, levy, or other judicial  
13 process, of an interest of a party under the lease contract or  
14 of the lessor's residual interest in the goods, or (ii) makes  
15 such a transfer an event of default, gives rise to the rights  
16 and remedies provided in subsection 5 4, but a transfer that  
17 is prohibited or is an event of default under the lease  
18 agreement is otherwise effective.

19 ~~3.--A-provision-in-a-lease-agreement-which-(i)-prohibits~~  
20 ~~the-creation-or-enforcement-of-a-security-interest-in-an~~  
21 ~~interest-of-a-party-under-the-lease-contract-or-in-the~~  
22 ~~lessor's-residual-interest-in-the-goods,-or-(ii)-makes-such-a~~  
23 ~~transfer-an-event-of-default,-is-not-enforceable-unless,-and~~  
24 ~~then-only-to-the-extent-that,-there-is-an-actual-transfer-by~~  
25 ~~the-lessee-of-the-lessee's-right-of-possession-or-use-of-the~~  
26 ~~goods-in-violation-of-the-provision-or-an-actual-delegation-of~~  
27 ~~a-material-performance-of-either-party-to-the-lease-contract~~  
28 ~~in-violation-of-the-provision.--Neither-the-granting-nor-the~~  
29 ~~enforcement-of-a-security-interest-in-(i)-the-lessor's~~  
30 ~~interest-under-the-lease-contract-or-(ii)-the-lessor's~~  
31 ~~residual-interest-in-the-goods-is-a-transfer-that-materially~~  
32 ~~impairs-the-prospect-of-obtaining-return-performance-by,~~  
33 ~~materially-changes-the-duty-of,-or-materially-increases-the~~  
34 ~~burden-or-risk-imposed-on,-the-lessee-within-the-purview-of~~  
35 ~~subsection-5-unless,-and-then-only-to-the-extent-that,-there~~

1 ~~is an actual delegation of a material performance of the~~  
2 ~~lessor.~~

3 4- 3. A provision in a lease agreement which (i) prohibits  
4 a transfer of a right to damages for default with respect to  
5 the whole lease contract or of a right to payment arising out  
6 of the transferor's due performance of the transferor's entire  
7 obligation, or (ii) makes such a transfer an event of default,  
8 is not enforceable, and such a transfer is not a transfer that  
9 materially impairs the prospect of obtaining return  
10 performance by, materially changes the duty of, or materially  
11 increases the burden or risk imposed on, the other party to  
12 the lease contract within the purview of subsection 5 4.

13 5- 4. Subject to ~~subsections~~ subsection 3 and 4 section  
14 554.9407:

15 a. if a transfer is made which is made an event of default  
16 under a lease agreement, the party to the lease contract not  
17 making the transfer, unless that party waives the default or  
18 otherwise agrees, has the rights and remedies described in  
19 section 554.13501, subsection 2;

20 b. if paragraph "a" is not applicable and if a transfer is  
21 made that (i) is prohibited under a lease agreement or (ii)  
22 materially impairs the prospect of obtaining return  
23 performance by, materially changes the duty of, or materially  
24 increases the burden or risk imposed on, the other party to  
25 the lease contract, unless the party not making the transfer  
26 agrees at any time to the transfer in the lease contract or  
27 otherwise, then, except as limited by contract, (i) the  
28 transferor is liable to the party not making the transfer for  
29 damages caused by the transfer to the extent that the damages  
30 could not reasonably be prevented by the party not making the  
31 transfer and (ii) a court having jurisdiction may grant other  
32 appropriate relief, including cancellation of the lease  
33 contract or an injunction against the transfer.

34 Sec. 158. Section 554.13307, subsections 1 through 4, Code  
35 1999, are amended by striking the subsections and inserting in

1 lieu thereof the following:

2 1. Except as otherwise provided in section 554.13306, a  
3 creditor of a lessee takes subject to the lease contract.

4 2. Except as otherwise provided in subsection 3 and in  
5 sections 554.13306 and 554.13308, a creditor of a lessor takes  
6 subject to the lease contract unless the creditor holds a lien  
7 that attached to the goods before the lease contract became  
8 enforceable.

9 3. Except as otherwise provided in sections 554.9317,  
10 554.9321, and 554.9323, a lessee takes a leasehold interest  
11 subject to a security interest held by a creditor of the  
12 lessor.

13 Sec. 159. Section 554.13309, subsection 1, paragraph b,  
14 Code 1999, is amended to read as follows:

15 b. a "fixture filing" is the filing, in the office where a  
16 record of a mortgage on the real estate would be filed or  
17 recorded, of a financing statement covering goods that are or  
18 are to become fixtures and conforming to the requirements of  
19 ~~section 554-9402~~ 554.9502, subsection-5 subsections 1 and 2;

20 DIVISION III

21 AMENDMENTS IN OTHER CODE CHAPTERS

22 Sec. 160. Section 15E.91, subsection 7, Code 1999, is  
23 amended to read as follows:

24 7. A copy of each pledge agreement by or to the  
25 corporation, including without limitation each bond  
26 resolution, indenture of trust, or similar agreement, or any  
27 revisions or supplements to it shall be filed with the  
28 secretary of state and no further filing or other action under  
29 ~~sections-554-9101-to-554-9507~~ chapter 554, article 9 of the  
30 uniform commercial code, or any other law of the state is  
31 required to perfect the security interest in the collateral or  
32 any additions to it or substitutions for it, and the lien and  
33 trust created are binding from and after the time made against  
34 all parties having claims of any kind in tort, contract, or  
35 otherwise against the pledgor.

1     Sec. 161. Section 16.26, subsection 7, Code 1999, is  
2 amended to read as follows:

3     7. A copy of each pledge agreement by or to the authority,  
4 including without limitation each bond resolution, indenture  
5 of trust or similar agreement, or any revisions or supplements  
6 to it shall be filed with the secretary of state and no  
7 further filing or other action under ~~sections-554-9101-to~~  
8 ~~554-9507~~ chapter 554, article 9 of the uniform commercial  
9 code, or any other law of the state shall be required to  
10 perfect the security interest in the collateral or any  
11 additions to it or substitutions for it, and the lien and  
12 trust so created shall be binding from and after the time made  
13 against all parties having claims of any kind in tort,  
14 contract, or otherwise against the pledgor.

15     Sec. 162. Section 16A.9, subsection 7, Code 1999, is  
16 amended to read as follows:

17     7. A copy of each pledge agreement by or to the authority,  
18 including without limitation each obligation resolution,  
19 indenture of trust or similar agreement, or any revisions or  
20 supplements to it shall be filed with the secretary of state  
21 and no further filing or other action under ~~sections-554-9101~~  
22 ~~to-554-9507~~ chapter 554, article 9 of the uniform commercial  
23 code, or any other law of the state shall be required to  
24 perfect the security interest in the collateral or any  
25 additions to it or substitutions for it, and the lien and  
26 trust so created shall be binding from and after the time made  
27 against all parties having claims of any kind in tort,  
28 contract, or otherwise against the pledgor.

29     Sec. 163. Section 203.12A, subsections 2, 7, and 9, Code  
30 1999, are amended to read as follows:

31     2. "Grain dealer assets" includes proceeds received or due  
32 a grain dealer upon the sale, including exchange, collection,  
33 or other disposition, of grain sold by the grain dealer. As  
34 used in this section, "proceeds" means noncash and cash  
35 proceeds as provided defined in section ~~554-9306~~ 554.9102.

1 "Grain dealer assets" also includes any other funds or  
2 property of the grain dealer which can be directly traced as  
3 being from the sale of grain by the grain dealer, or which  
4 were utilized in the business operation of the grain dealer.  
5 A court, upon petition by an affected party, may order that  
6 claimed grain dealer assets are not grain dealer assets as  
7 defined in this section. The burden of proof shall be upon  
8 the petitioner to establish that the assets are not grain  
9 dealer assets as defined in this section.

10 7. A lien statement filed under this section shall be a  
11 security interest perfected under chapter 554 and subject to  
12 the same priority as provided under section ~~554.9312~~ 554.9322.

13 9. The board may enforce the lien in the manner provided  
14 in chapter 554, article 9, part 5 6, for the enforcement of  
15 security interests. If, upon enforcement of the lien, the  
16 lien amount is satisfied in full without exhaustion of the  
17 grain dealer assets, the remaining assets shall be returned to  
18 the grain dealer or, if there are competing claims to those  
19 remaining assets by other creditors, shall place those assets  
20 in the custody of the district court and implead the known  
21 creditors.

22 For purposes of enforcement of the lien, the board is  
23 deemed to be the secured party and the grain dealer is deemed  
24 to be the debtor, and each has the respective rights and  
25 duties of a secured party and a debtor as provided in chapter  
26 554, article 9, part 5 6. If a right or duty under chapter  
27 554, article 9, part 5 6, is contingent upon the existence of  
28 express language in a security agreement, or may be waived by  
29 express language in a security agreement, the requisite  
30 language is deemed not to exist for purposes of enforcement of  
31 the lien created by this section.

32 Sec. 164. Section 203C.12A, subsections 2, 7, and 9, Code  
33 1999, are amended to read as follows:

34 2. "Warehouse operator assets" includes proceeds received  
35 or due a warehouse operator upon the sale, including exchange,

1 collection, or other disposition, of grain sold by the  
2 warehouse operator. As used in this section, "proceeds" means  
3 noncash and cash proceeds as ~~provided~~ defined in section  
4 ~~554-9306~~ 554.9102. "Warehouse operator assets" also includes  
5 storage payments received or due to a warehouse operator,  
6 grain owned by the warehouse operator, and any other funds or  
7 property of the warehouse operator which can be directly  
8 traced as being from the sale of grain by the warehouse  
9 operator, or which were utilized in the business operation of  
10 the warehouse operator. A court, upon petition by an affected  
11 party, may order that claimed warehouse operator assets are  
12 not warehouse operator assets as defined in this section. The  
13 burden of proof shall be upon the petitioner to establish that  
14 the assets are not warehouse operator assets as defined in  
15 this section.

16 7. A lien statement filed under this section shall be a  
17 security interest perfected under chapter 554 and subject to  
18 the same priority as provided under section ~~554-9312~~ 554.9322.

19 9. The Iowa grain indemnity fund board may enforce the  
20 lien in the manner provided in chapter 554, article 9, part 5  
21 6, for the enforcement of security interests. If, upon  
22 enforcement of the lien, the lien amount is satisfied in full  
23 without exhaustion of the warehouse operator assets, the  
24 remaining assets shall be returned to the warehouse operator  
25 or, if there are competing claims to those remaining assets by  
26 other creditors, those assets shall be placed in the custody  
27 of the district court and the known creditors impleaded.

28 For purposes of enforcement of the lien, the board is  
29 deemed to be the secured party and the warehouse operator is  
30 deemed to be the debtor, and each has the respective rights  
31 and duties of a secured party and a debtor as provided in  
32 chapter 554, article 9, part 5 6. If a right or duty under  
33 chapter 554, article 9, part 5 6, is contingent upon the  
34 existence of express language in a security agreement, or may  
35 be waived by express language in a security agreement, the

1 requisite language is deemed not to exist for purposes of  
2 enforcement of the lien created by this section.

3 Sec. 165. Section 321.47, unnumbered paragraph 2, Code  
4 Supplement 1999, is amended to read as follows:

5 The persons entitled under the laws of descent and  
6 distribution of an intestate's property to the possession and  
7 ownership of a vehicle owned in whole or in part by a  
8 decedent, upon filing an affidavit stating the name and date  
9 of death of the decedent, the right to possession and  
10 ownership of the persons filing the affidavit, and that there  
11 has been no administration of the decedent's estate, which  
12 instrument shall also contain an agreement to indemnify  
13 creditors of the decedent who would be entitled to levy  
14 execution upon the motor vehicle to the extent of the value of  
15 the motor vehicle, are entitled upon fulfilling the other  
16 requirements of this chapter, to the issuance of a  
17 registration card for the interest of the decedent in the  
18 vehicle and a certificate of title to it. If a decedent dies  
19 testate, and either the will is not probated or is admitted to  
20 probate without administration, the persons entitled to the  
21 possession and ownership of a vehicle owned in whole or in  
22 part by the decedent may file an affidavit, and upon  
23 fulfilling the other requirements of this chapter, are  
24 entitled to the issuance of a registration card for the  
25 interest of the decedent in the vehicle and a certificate of  
26 title to the vehicle. The affidavit shall contain the same  
27 information and indemnity agreement as is required in cases of  
28 intestacy pursuant to this section. ~~No~~ A requirement of  
29 chapter 450 or 451 shall not be considered satisfied by the  
30 filing of the affidavit provided for in this section. If,  
31 from the records in the office of the county treasurer, there  
32 appear to be any liens on the vehicle, the certificate of  
33 title shall contain a statement of the liens unless the  
34 application is accompanied by proper evidence of their  
35 satisfaction or extinction. Evidence of extinction may



1 consist of, but is not limited to, an affidavit of the  
2 applicant stating that a security interest was foreclosed as  
3 provided in chapter 554, article 9, part 5 6.

4 Sec. 166. Section 321.50, subsection 1, Code Supplement  
5 1999, is amended to read as follows:

6 1. A security interest in a vehicle subject to  
7 registration under the laws of this state or a mobile home or  
8 manufactured housing, except trailers whose empty weight is  
9 two thousand pounds or less, and except new or used vehicles  
10 held by a dealer or manufacturer as inventory for sale, is  
11 perfected by the delivery to the county treasurer of the  
12 county where the certificate of title was issued or, in the  
13 case of a new certificate, to the county treasurer where the  
14 certificate will be issued, of an application for certificate  
15 of title which lists the security interest, or an application  
16 for notation of security interest signed by the owner, or by  
17 one owner of a vehicle owned jointly by more than one person,  
18 or a certificate of title from another jurisdiction which  
19 shows the security interest, and a fee of five dollars for  
20 each security interest shown. If the owner or secured party  
21 is in possession of the certificate of title, it must also be  
22 delivered at this time in order to perfect the security  
23 interest. If a vehicle is subject to a security interest when  
24 brought into this state, the validity of the security interest  
25 and the date of perfection is determined by section 554-9103  
26 554.9303. Delivery as provided in this subsection is an  
27 indication of a security interest on a certificate of title  
28 for purposes of chapter 554.

29 Sec. 167. Section 322.21, Code Supplement 1999, is amended  
30 to read as follows:

31 322.21 REMAINING BALANCE ON TRADE VEHICLE.

32 The extension of credit by a retail seller to a retail  
33 buyer, pursuant to a retail installment contract, of the  
34 amount actually paid or to be paid by the retail seller to  
35 discharge a purchase money security interest, as defined

1 provided in section 554-9107 554.9103, on a motor vehicle  
2 traded in by the retail buyer shall not subject the retail  
3 seller to the provisions of chapter 536 or 536A.

4 Sec. 168. Section 331.602, subsection 28, Code Supplement  
5 1999, is amended to read as follows:

6 28. Carry out duties relating to the filing of financing  
7 statements or instruments as provided in ~~sections 554-9401 to~~  
8 ~~554-9408~~ chapter 554, article 9, part 5.

9 Sec. 169. Section 331.609, subsection 3, paragraph a,  
10 subparagraph (1), Code 1999, is amended to read as follows:

11 (1) If the filing officer is the secretary of state, the  
12 secretary shall cause the notice to be marked, held, and  
13 indexed in accordance with section ~~554-9403, subsection 4~~  
14 554.9519, as if the notice were a financing statement ~~within~~  
15 ~~the meaning of that section~~ as provided in chapter 554,  
16 article 9, part 5.

17 Sec. 170. Section 461A.6, Code 1999, is amended to read as  
18 follows:

19 461A.6 COSTS -- LIEN.

20 The cost of such removal shall be paid by the owner of said  
21 pier, wharf, sluice, piling, wall, fence, obstruction,  
22 erection or building, and the state shall have a lien upon the  
23 property removed for such costs. Said costs shall be payable  
24 at the time of removal and such lien may be enforced and  
25 foreclosed, as provided for the foreclosure of security  
26 interests in Uniform Commercial Code, chapter 554, article 9,  
27 part 5 6.

28 Sec. 171. Section 537.5103, subsections 2 and 3, Code  
29 1999, are amended to read as follows:

30 2. If the seller repossesses or voluntarily accepts  
31 surrender either of goods which were the subject of the sale  
32 and in which the seller has a security interest, or of goods  
33 which were not the subject of the sale but in which the seller  
34 has a security interest to secure a debt arising from a sale  
35 of goods or services or a combined sale of goods and services,

1 the seller's duty to dispose of the collateral is governed by  
2 the provisions on disposition of collateral in **sections**  
3 ~~554-9501-to-554-9507~~ chapter 554, article 9, part 6.

4 3. If a lender takes possession or voluntarily accepts  
5 surrender of goods in which the lender has a security interest  
6 to secure a debt arising from a consumer loan, the lender's  
7 duty to dispose of the collateral is governed by the  
8 provisions on disposition of collateral in ~~sections-554-9501~~  
9 ~~to-554-9507~~ chapter 554, article 9, part 6.

10 Sec. 172. Section 539.1, Code 1999, is amended to read as  
11 follows:

12 539.1 ASSIGNMENT OF NONNEGOTIABLE INSTRUMENTS.

13 Bonds, due bills, and all instruments by which the maker  
14 promises to pay another, without words of negotiability, a sum  
15 of money, or by which the maker promises to pay a sum of money  
16 in property or labor, or to pay or deliver any property or  
17 labor, or acknowledges any money, labor, or property to be  
18 due, are assignable by endorsement on the instrument, or by  
19 other writing. The assignee, including a person who takes  
20 assignment for collection in the regular course of business,  
21 has a right of action on them in the assignee's own name,  
22 subject to any defense or counterclaim which the maker or  
23 debtor had against an assignor of the instrument before notice  
24 of the assignment. In case of conflict between this section  
25 and sections section 554.5112, 554.5113, 554.5114, and  
26 ~~554-9318-~~sections 554.9404, or 554.9405, section 554.5112,  
27 ~~554.5113, 554.5114, and-554-9318-control~~ 554.9404, or 554.9405  
28 controls.

29 Sec. 173. Section 539.2, Code 1999, is amended to read as  
30 follows:

31 539.2 ASSIGNMENT PROHIBITED BY INSTRUMENT.

32 When by the terms of an instrument its assignment is  
33 prohibited, an assignment thereof shall nevertheless be valid,  
34 but the maker may make use of any defense or counterclaim  
35 against the assignee which the maker may have against any

1 assignor thereof before notice of such assignment is given to  
2 the maker in writing. In case of conflict between this  
3 section and ~~sections~~ section 554.5112, 554.5113, 554.5114, and  
4 ~~554.9318~~-~~sections~~ 554.9404, or 554.9405, section 554.5112,  
5 554.5113, 554.5114, and ~~554.9318~~-~~control~~ 554.9404, or 554.9405  
6 controls.

7 Sec. 174. Section 539.3, Code 1999, is amended to read as  
8 follows:

9 539.3 ASSIGNMENT OF OPEN ACCOUNT.

10 An open account of sums of money due on contract may be  
11 assigned. The assignee, including a person who takes  
12 assignment for collection in the regular course of business,  
13 has a right of action on the account in the assignee's own  
14 name, subject to the defenses and counterclaims allowed  
15 against the instruments mentioned in section 539.2, before  
16 notice of the assignment is given to the debtor in writing by  
17 the assignee. In case of conflict Uniform Commercial Code,  
18 section ~~554.9318~~ 554.9404 or 554.9405, controls.

19 Sec. 175. Section 554B.1, Code 1999, is amended to read as  
20 follows:

21 554B.1 DEFINITIONS.

22 As used in this chapter "transmitting utility" has the same  
23 meaning as defined in the Uniform Commercial Code, section  
24 ~~554.9105~~-~~subsection 1~~-~~paragraph "n"~~ 554.9102, subsection 1.  
25 Security interests filed pursuant to this chapter prior to  
26 January 1, 1975, which have not been terminated, are deemed to  
27 be filed in accordance with section ~~554.9401~~ 554.9501,  
28 subsection 5 2.

29 Sec. 176. Section 570A.4, subsection 4, Code 1999, is  
30 amended to read as follows:

31 4. The secretary of state shall note the filing of a lien  
32 statement under this section in the manner provided by chapter  
33 554, the uniform commercial code, and shall charge a fee as  
34 provided under section ~~554.9403~~ 554.9525.

35 Sec. 177. Section 570A.6, Code 1999, is amended to read as

1 follows:

2 570A.6 ENFORCEMENT OF LIEN.

3 The holder of a lien perfected under this chapter may  
4 enforce the lien in the manner provided in for agricultural  
5 liens pursuant to chapter 554, article 9, part 5 6, for the  
6 enforcement of security interests. For purposes of  
7 enforcement of the lien, the lienholder is deemed to be the  
8 secured party, and the farmer for whom the agricultural  
9 chemical, seed, feed, or petroleum product was furnished is  
10 deemed to be the debtor, and each has the respective rights  
11 and duties of a secured party and a debtor as provided in  
12 chapter 554, article 9, part 5 6. Where a right or duty under  
13 chapter 554, article 9, part 5 6, is contingent upon the  
14 existence of express language in a security agreement, or may  
15 be waived by express language in a security agreement, the  
16 requisite language is deemed not to exist for purposes of  
17 enforcement of the lien created by this chapter.

18 Sec. 178. Section 571.5, Code 1999, is amended to read as  
19 follows:

20 571.5 FORECLOSURE ENFORCEMENT OF LIEN.

21 Said A lien as provided in this chapter may be foreclosed  
22 enforced in the manner provided in for agricultural liens  
23 pursuant to the Uniform Commercial Code, chapter 554, Article  
24 9, Part 5 6.

25 Sec. 179. Section 579A.3, unnumbered paragraph 1, Code  
26 1999, is amended to read as follows:

27 While the cattle are located at the custom cattle feedlot,  
28 the custom cattle feedlot operator may foreclose a lien  
29 created in section 579A.2 in the manner provided for the  
30 ~~foreclosure-of-secured-transactions~~ enforcement of an  
31 agricultural lien as provided in ~~sections-554-95047-554-95067,~~  
32 ~~and-554-9507~~ chapter 554, article 9, part 6. After the cattle  
33 have left the custom cattle feedlot, the custom cattle feedlot  
34 operator may enforce the lien by commencing an action at law  
35 for the amount of the lien against either of the following:

1 Sec. 180. Section 579B.3, subsection 1, paragraph a,  
2 subparagraph (1), subparagraph subdivision (c), Code  
3 Supplement 1999, is amended to read as follows:

4 (c) If the livestock is slaughtered by the contractor, the  
5 lien shall be on any property of the contractor that may be  
6 subject to a security interest as provided in section 554-9102  
7 554.9109.

8 Sec. 181. Section 579B.3, subsection 1, paragraph a,  
9 subparagraph (2), subparagraph subdivision (c), Code  
10 Supplement 1999, is amended to read as follows:

11 (c) If the raw milk is processed by the contractor, the  
12 lien shall be on any property of the contractor that may be  
13 subject to a security interest as provided in section 554-9102  
14 554.9109.

15 Sec. 182. Section 579B.3, subsection 2, paragraph a,  
16 subparagraph (3), Code Supplement 1999, is amended to read as  
17 follows:

18 (3) If the crop is processed by the contractor, the lien  
19 shall be on any property of the contractor that may be subject  
20 to a security interest as provided in section 554-9102  
21 554.9109.

22 Sec. 183. Section 579B.5, Code Supplement 1999, is amended  
23 to read as follows:

24 579B.5 ENFORCEMENT.

25 Before a commodity leaves the authority of the contract  
26 producer as provided in section 579B.3, the contract producer  
27 may ~~foreclose~~ enforce a lien created in that section in the  
28 manner provided for the ~~foreclosure-of-secured-transactions~~  
29 enforcement of an agricultural lien as provided in sections  
30 ~~554-9504, 554-9506, and 554-9507~~ chapter 554, article 9, part  
31 6. After the commodity is no longer under the authority of  
32 the contract producer, the contract producer may enforce the  
33 lien in the manner provided in chapter 554, article 9, part 5  
34 6.

35

DIVISION IV

REPEALS AND EFFECTIVE DATE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

Sec. 184. Sections 554.9101 through 554.9507, Code 2001, are repealed.

Sec. 185. Section 554.11105, Code 2001, is repealed.

Sec. 186. EFFECTIVE DATE. This Act takes effect July 1, 2001.

HOUSE FILE 2513

S-5179

1 Amend House File 2513, as amended, passed, and  
 2 reprinted by the House, as follows:  
 3 1. Page 89, lines 30 and 31, by striking the  
 4 words "or any office duly authorized by the office of  
 5 secretary of state,".  
 6 2. Page 108, by striking lines 25 through 27, and  
 7 inserting the following: "2. The forms shall be  
 8 consistent with those set forth in the final official  
 9 text of the 1999 revisions to Article 9 of the Uniform  
 10 Commercial Code promulgated by the American law  
 11 institute and the national conference of commissioners  
 12 on uniform state laws."  
 13 3. Page 108, by striking lines 32 through 35, and  
 14 inserting the following: "section 554.9516,  
 15 subsection 2. The forms shall be consistent with  
 16 those set forth in the final official text of the 1999  
 17 revisions to Article 9 of the Uniform Commercial Code  
 18 promulgated by the American law institute and the  
 19 national conference of commissioners on uniform state  
 20 laws."  
 21 4. Page 112, line 1, by striking the word  
 22 "record" and inserting the following: "fee".

By COMMITTEE ON JUDICIARY  
 ANDY McKEAN, Chairperson

S-5179 FILED MARCH 20, 2000

*Adopted*  
 4-4-00 (P. 1028)

HOUSE FILE 2513

S-5338

1 Amend House File 2513, as amended, passed, and  
 2 reprinted by the House, as follows:  
 3 1. Page 25, by inserting after line 3 the  
 4 following:  
 5 "\_\_\_\_. an assignment of a claim or right to receive  
 6 any of the following:  
 7 (1) compensation for injuries or sickness as  
 8 provided in 26 U.S.C. § 104(a)(1) or (2).  
 9 (2) benefits under a special needs trust as  
 10 provided in 42 U.S.C. § 1396p(d)(4)."  
 11 2. By relettering as necessary.

By LARRY McKIBBEN

S-5338 FILED APRIL 5, 2000

ADOPTED

(P. 1028)



## HOUSE FILE 2513

S-5339

- 1 Amend House File 2513, as amended, passed, and  
2 reprinted by the House, as follows:
- 3 1. Page 74, line 16, by striking the word "A" and  
4 inserting the following: "Except as provided in  
5 subsection 10, a".
- 6 2. Page 74, by striking lines 21 and 22, and  
7 inserting the following:
- 8 "10. AGRICULTURAL LIENS PREVAIL. The provisions  
9 of this Article regarding agricultural liens prevail  
10 over any inconsistent provisions of subsection 9."
- 11 3. Page 173, by inserting after line 28, the  
12 following:
- 13 "Sec. \_\_\_\_ . Section 570.1, Code 1999, is amended to  
14 read as follows:
- 15 570.1 LIEN CREATED -- PROPERTY SUBJECTED.
- 16 1. A landlord shall have a lien for the rent upon  
17 all crops grown upon the leased premises, and upon any  
18 other personal property of the tenant which has been  
19 used or kept thereon during the term and which is not  
20 exempt from execution.
- 21 2. In order to perfect a lien in farm products as  
22 defined in section 554.9102, which is created under  
23 this section, a landlord must file a financing  
24 statement as required by section 554.9308, subsection  
25 2. Except as provided in chapters 571, 572, 579A,  
26 579B, and 581, a perfected lien in the farm products  
27 has priority over a conflicting security interest or  
28 lien, including a security interest or lien that was  
29 perfected prior to the creation of the lien under this  
30 section, if the lien created in this section is  
31 perfected on either of the following dates:
- 32 a. Prior to July 1, 2001.
- 33 b. When the debtor takes possession of the leased  
34 premises or within twenty days after the debtor takes  
35 possession of the leased premises.
- 36 A financing statement filed to perfect a lien in  
37 the farm products must include a statement that it is  
38 filed for the purpose of perfecting a landlord's lien.  
39 Within twenty days after a landlord who has filed a  
40 financing statement receives a written demand,  
41 authenticated as provided in Article 9 of chapter 554,  
42 from a tenant, the landlord shall file a termination  
43 statement, if the lien in the farm products has  
44 expired or if the tenant is no longer in possession of  
45 the leased premises and has performed all obligations  
46 under the lease."
- 47 4. By renumbering as necessary.

By LARRY MCKIBBEN

S-5339 FILED APRIL 5, 2000  
ADOPTED

## HOUSE FILE 2513

S-5347

- 1 Amend House File 2513, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 175, by inserting after line 34, the  
4 following:  
5 "DIVISION IV  
6 IMPLEMENTATION  
7 Sec. \_\_\_\_ . IMPLEMENTATION CONTINGENT UPON  
8 APPROPRIATION. The provisions of this Act affecting  
9 the duties and authority of the office of secretary of  
10 state shall only be implemented if and when the  
11 general assembly appropriates at least three hundred  
12 fifty thousand dollars to the office of secretary of  
13 state for the purposes of implementing this Act."  
14 2. Page 175, line 35, by striking the words  
15 "DIVISION IV" and inserting the following: "DIVISION  
16 V".  
17 3. Title page, line 3, by inserting after the  
18 word "provisions," the following: "providing for the  
19 implementation of the Act,".  
20 4. By renumbering as necessary.

By TOM FLYNN

S-5347 FILED APRIL 5, 2000

LOST

(P. 1029)

## SENATE AMENDMENT TO HOUSE FILE 2513

H-8754

1 Amend House File 2513, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 25, by inserting after line 3 the  
4 following:  
5 "\_\_\_\_. an assignment of a claim or right to receive  
6 any of the following:  
7 (1) compensation for injuries or sickness as  
8 provided in 26 U.S.C. § 104(a)(1) or (2).  
9 (2) benefits under a special needs trust as  
10 provided in 42 U.S.C. § 1396p(d)(4)."  
11 2. Page 74, line 16, by striking the word "A" and  
12 inserting the following: "Except as provided in  
13 subsection 10, a".  
14 3. Page 74, by striking lines 21 and 22, and  
15 inserting the following:  
16 "10. AGRICULTURAL LIENS PREVAIL. The provisions  
17 of this Article regarding agricultural liens prevail  
18 over any inconsistent provisions of subsection 9."  
19 4. Page 89, lines 30 and 31, by striking the  
20 words "or any office duly authorized by the office of  
21 secretary of state,".  
22 5. Page 108, by striking lines 25 through 27, and  
23 inserting the following: "2. The forms shall be  
24 consistent with those set forth in the final official  
25 text of the 1999 revisions to Article 9 of the Uniform  
26 Commercial Code promulgated by the American law  
27 institute and the national conference of commissioners  
28 on uniform state laws."  
29 6. Page 108, by striking lines 32 through 35, and  
30 inserting the following: "section 554.9516,  
31 subsection 2. The forms shall be consistent with  
32 those set forth in the final official text of the 1999  
33 revisions to Article 9 of the Uniform Commercial Code  
34 promulgated by the American law institute and the  
35 national conference of commissioners on uniform state  
36 laws."  
37 7. Page 112, line 1, by striking the word  
38 "record" and inserting the following: "fee".  
39 8. Page 173, by inserting after line 28, the  
40 following:  
41 "Sec. \_\_\_\_\_. Section 570.1, Code 1999, is amended to  
42 read as follows:  
43 570.1 LIEN CREATED -- PROPERTY SUBJECTED.  
44 1. A landlord shall have a lien for the rent upon  
45 all crops grown upon the leased premises, and upon any  
46 other personal property of the tenant which has been  
47 used or kept thereon during the term and which is not  
48 exempt from execution.  
49 2. In order to perfect a lien in farm products as  
50 defined in section 554.9102, which is created under  
H-8754

H-8754

Page 2

1 this section, a landlord must file a financing  
 2 statement as required by section 554.9308, subsection  
 3 2. Except as provided in chapters 571, 572, 579A,  
 4 579B, and 581, a perfected lien in the farm products  
 5 has priority over a conflicting security interest or  
 6 lien, including a security interest or lien that was  
 7 perfected prior to the creation of the lien under this  
 8 section, if the lien created in this section is  
 9 perfected on either of the following dates:

10 a. Prior to July 1, 2001.

11 b. When the debtor takes possession of the leased  
 12 premises or within twenty days after the debtor takes  
 13 possession of the leased premises.

14 A financing statement filed to perfect a lien in  
 15 the farm products must include a statement that it is  
 16 filed for the purpose of perfecting a landlord's lien.  
 17 Within twenty days after a landlord who has filed a  
 18 financing statement receives a written demand,  
 19 authenticated as provided in Article 9 of chapter 554,  
 20 from a tenant, the landlord shall file a termination  
 21 statement, if the lien in the farm products has  
 22 expired or if the tenant is no longer in possession of  
 23 the leased premises and has performed all obligations  
 24 under the lease."

25 9. By renumbering, relettering, or redesignating  
 26 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-8754 FILED APRIL 6, 2000

*House Concurred*

*4-6-00*

*(p. 1310)*

HOUSE FILE 2513

H-8771

1 Amend the Senate amendment H-8754, to House File  
 2 2513, as amended, passed, and reprinted by the House,  
 3 as follows:  
 4 1. Page 2, by inserting after line 24, the  
 5 following:  
 6 "\_\_\_\_. Page 175, by inserting after line 34, the  
 7 following:  
 8 "DIVISION IV  
 9 IMPLEMENTATION  
 10 Sec. \_\_\_\_ IMPLEMENTATION CONTINGENT UPON  
 11 APPROPRIATION. The provisions of this Act affecting  
 12 the duties and authority of the office of secretary of  
 13 state shall only be implemented if and when the  
 14 general assembly appropriates at least three hundred  
 15 fifty thousand dollars to the office of secretary of  
 16 state for the purposes of implementing this Act."  
 17 \_\_\_\_ Page 175, line 35, by striking the words  
 18 "DIVISION IV" and inserting the following: "DIVISION  
 19 V".  
 20 \_\_\_\_ Title page, line 3, by inserting after the  
 21 word "provisions," the following: "providing for the  
 22 implementation of the Act,."  
 23 2. By renumbering as necessary.

By MURPHY of Dubuque

H-8771 FILED APRIL 6, 2000

*Lost*  
*4/6/00*  
*(P. 1310)*

HOUSE FILE 2513

AN ACT

PROVIDING FOR SECURED TRANSACTIONS UNDER THE UNIFORM COMMERCIAL CODE, BY ADOPTING NEW ARTICLE 9, ELIMINATING CONFLICTING PROVISIONS, AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

ARTICLE 9 AMENDMENTS

ARTICLE 9 -- SECURED TRANSACTIONS

PART 1

GENERAL PROVISIONS

A. SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS

Section 1. NEW SECTION. 554.9101 SHORT TITLE.

This Article may be cited as Uniform Commercial Code -- Secured Transactions.

Sec. 2. NEW SECTION. 554.9102 DEFINITIONS AND INDEX OF DEFINITIONS.

1. ARTICLE 9 DEFINITIONS. In this Article:

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

b. "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. The term includes health-care-insurance receivables. The term 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.

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

d. "Accounting", except as used in "accounting for", means a record:

- (1) authenticated by a secured party;
- (2) indicating the aggregate unpaid secured obligations as of a date not more than thirty-five days earlier or thirty-five days later than the date of the record; and
- (3) identifying the components of the obligations in reasonable detail.

e. "Agricultural lien" means an interest, other than a security interest, in farm products:

- (1) which secures payment or performance of an obligation for:
  - (a) goods or services furnished in connection with a debtor's farming operation; or
  - (b) rent on real property leased by a debtor in connection with its farming operation;
- (2) which is created by statute in favor of a person that:

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

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

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

f. "As-extracted collateral" means:

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

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

(b) attaches to the minerals as extracted; or

(2) 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.

g. "Authenticate" means:

(1) to sign; or

(2) 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.

h. "Bank" means an organization that is engaged in the business of banking. The term includes savings banks, savings and loan associations, credit unions, and trust companies.

i. "Cash proceeds" means proceeds that are money, checks, deposit accounts, or the like.

j. "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.

k. "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 paragraph, "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. The term 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 on or for use with the card. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

1. "Collateral" means the property subject to a security interest or agricultural lien. The term includes:

(1) proceeds to which a security interest attaches;

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

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

m. "Commercial tort claim" means a claim arising in tort with respect to which:

(1) the claimant is an organization; or

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

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

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

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

o. "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:

(1) 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

(2) 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.

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

q. "Commodity intermediary" means a person that:

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

(2) 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.

r. "Communicate" means:

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

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

(3) 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.

s. "Consignee" means a merchant to which goods are delivered in a consignment.

t. "Consignment" means a transaction, regardless of its form, in which a person delivers goods to a merchant for the purpose of sale and:

(1) the merchant:

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

(b) is not an auctioneer; and

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

(2) with respect to each delivery, the aggregate value of the goods is one thousand dollars or more at the time of delivery;

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

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

u. "Consignor" means a person that delivers goods to a consignee in a consignment.

v. "Consumer debtor" means a debtor in a consumer transaction.

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

x. "Consumer-goods transaction" means a consumer transaction in which:

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

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

y. "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.

z. "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. The term includes consumer-goods transactions.

aa. "Continuation statement" means an amendment of a financing statement which:

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

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

ab. "Debtor" means:

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



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

(3) a consignee.

ac. "Deposit account" means a demand, time, savings, passbook, or similar account maintained with a bank. The term does not include investment property or accounts evidenced by an instrument.

ad. "Document" means a document of title or a receipt of the type described in section 554.7201, subsection 2.

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

af. "Encumbrance" means a right, other than an ownership interest, in real property. The term includes mortgages and other liens on real property.

ag. "Equipment" means goods other than inventory, farm products, or consumer goods.

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

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

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

(b) aquatic goods produced in aquacultural operations;

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

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

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

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

aj. "File number" means the number assigned to an initial financing statement pursuant to section 554.9519, subsection 1.

ak. "Filing office" means an office designated in section 554.9501 as the place to file a financing statement.

al. "Filing-office rule" means a rule adopted pursuant to section 554.9526.

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

an. "Fixture filing" means the filing of a financing statement covering goods that are or are to become fixtures and satisfying section 554.9502, subsections 1 and 2. The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

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

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

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

ar. "Goods" means all things that are movable when a security interest attaches. The term 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. The term 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. The term does

not include a computer program embedded in goods that consist solely of the medium in which the program is embedded. The term 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.

as. "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. The term 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.

at. "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.

au. "Instrument" means a negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in ordinary course of business is transferred by delivery with any necessary indorsement or assignment. The term does not include (i) investment property, (ii) letters of credit, 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.

av. "Inventory" means goods, other than farm products, which:

- (1) are leased by a person as lessor;
  - (2) are held by a person for sale or lease or to be furnished under a contract of service;
  - (3) are furnished by a person under a contract of service;
- or

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

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

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

ay. "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. The term does not include the right of a beneficiary to demand payment or performance under a letter of credit.

az. "Lien creditor" means:

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

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

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

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

ba. "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 forty body feet or more in length, or, when erected on site, is three hundred twenty 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. The term includes any structure that meets all of the requirements of this paragraph 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.

bb. "Manufactured-home transaction" means a secured transaction:

- (1) that creates a purchase-money security interest in a manufactured home, other than a manufactured home held as inventory; or
- (2) in which a manufactured home, other than a manufactured home held as inventory, is the primary collateral.

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

bd. "New debtor" means a person that becomes bound as debtor under section 554.9203, subsection 4, by a security agreement previously entered into by another person.

be. "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. The term does not include an obligation substituted for another obligation.

bf. "Noncash proceeds" means proceeds other than cash proceeds.

bg. "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. The term does not include issuers or nominated persons under a letter of credit.

bh. "Original debtor", except as used in section 554.9310, subsection 3, means a person that, as debtor, entered into a security agreement to which a new debtor has become bound under section 554.9203, subsection 4.

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

bj. "Person related to", with respect to an individual, means:

- (1) the spouse of the individual;
- (2) a brother, brother-in-law, sister, or sister-in-law of the individual;
- (3) an ancestor or lineal descendant of the individual or the individual's spouse; or
- (4) any other relative, by blood or marriage, of the individual or the individual's spouse who shares the same home with the individual.

bk. "Person related to", with respect to an organization, means:

- (1) a person directly or indirectly controlling, controlled by, or under common control with the organization;
- (2) an officer or director of, or a person performing similar functions with respect to, the organization;
- (3) an officer or director of, or a person performing similar functions with respect to, a person described in subparagraph (1);
- (4) the spouse of an individual described in subparagraph (1), (2), or (3); or
- (5) an individual who is related by blood or marriage to an individual described in subparagraph (1), (2), (3), or (4) and shares the same home with the individual.

bl. "Proceeds", except as used in section 554.9609, subsection 2, means the following property:

- (1) whatever is acquired upon the sale, lease, license, exchange, or other disposition of collateral;
- (2) whatever is collected on, or distributed on account of, collateral;
- (3) rights arising out of collateral;
- (4) 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

(5) 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.

bm. "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.

bn. "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 554.9620, 554.9621, and 554.9622.

bo. "Public-finance transaction" means a secured transaction in connection with which:

- (1) debt securities are issued;
- (2) all or a portion of the securities issued have an initial stated maturity of at least twenty years; and
- (3) 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.

bp. "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.

bq. "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.

br. "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.

bs. "Secondary obligor" means an obligor to the extent that:

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

bt. "Secured party" means:

- (1) 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;
- (2) a person that holds an agricultural lien;
- (3) a consignor;
- (4) a person to which accounts, chattel paper, payment intangibles, or promissory notes have been sold;
- (5) 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
- (6) a person that holds a security interest arising under section 554.2401, 554.2505, 554.2711, subsection 3, section 554.4210, 554.5118, or 554.13508, subsection 5.

bu. "Security agreement" means an agreement that creates or provides for a security interest.

bv. "Send", in connection with a record or notification, means:

- (1) 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
- (2) to cause the record or notification to be received within the time that it would have been received if properly sent under subparagraph (1).

bw. "Software" means a computer program and any supporting information provided in connection with a transaction relating

to the program. The term does not include a computer program that is included in the definition of goods.

bx. "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.

by. "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.

bz. "Tangible chattel paper" means chattel paper evidenced by a record or records consisting of information that is inscribed on a tangible medium.

ca. "Termination statement" means an amendment of a financing statement which:

- (1) identifies, by its file number, the initial financing statement to which it relates; and
- (2) indicates either that it is a termination statement or that the identified financing statement is no longer effective.

cb. "Transmitting utility" means a person primarily engaged in the business of:

- (1) operating a railroad, subway, street railway, or trolley bus;
- (2) transmitting communications electrically, electromagnetically, or by light;
- (3) transmitting goods by pipeline or sewer; or
- (4) transmitting or producing and transmitting electricity, steam, gas, or water.

2. DEFINITIONS IN OTHER ARTICLES. The following definitions in other Articles apply to this Article:

"Applicant"	Section 554.5102
"Beneficiary"	Section 554.5102
"Broker"	Section 554.8102
"Certificated security"	Section 554.8102
"Check"	Section 554.3104

"Clearing corporation"	Section 554.8102
"Contract for sale"	Section 554.2106
"Customer"	Section 554.4104
"Entitlement holder"	Section 554.8102
"Financial asset"	Section 554.8102
"Holder in due course"	Section 554.3302
"Issuer" (with respect to a letter of credit or letter-of-credit right)	Section 554.5102
"Issuer" (with respect to a security)	Section 554.8201
"Lease"	Section 554.13103
"Lease agreement"	Section 554.13103
"Lease contract"	Section 554.13103
"Leasehold interest"	Section 554.13103
"Lessee"	Section 554.13103
"Lessee in ordinary course of business"	Section 554.13103
"Lessor"	Section 554.13103
"Lessor's residual interest"	Section 554.13103
"Letter of credit"	Section 554.5102
"Merchant"	Section 554.2104
"Negotiable instrument"	Section 554.3104
"Nominated person"	Section 554.5102
"Note"	Section 554.3104
"Proceeds of a letter of credit"	Section 554.5114
"Prove"	Section 554.3103
"Sale"	Section 554.2106
"Securities account"	Section 554.8501
"Securities intermediary"	Section 554.8102
"Security"	Section 554.8102
"Security certificate"	Section 554.8102
"Security entitlement"	Section 554.8102
"Uncertificated security"	Section 554.8102

3. ARTICLE 1 DEFINITIONS AND PRINCIPLES. Article 1 contains general definitions and principles of construction and interpretation applicable throughout this Article.

4. FEDERAL FOOD SECURITY ACT. For purposes of the Federal Food Security Act, 7 U.S.C. § 1631, written notice shall be

considered to be received by the person to whom it was delivered if the notice is delivered in hand to the person, or mailed by certified or registered mail with the proper postage and properly addressed to the person to whom it was sent. The refusal of a person to whom a notice is so mailed to accept delivery of the notice shall be considered receipt.

Sec. 3. NEW SECTION. 554.9103 PURCHASE-MONEY SECURITY INTEREST -- APPLICATION OF PAYMENTS -- BURDEN OF ESTABLISHING.

1. DEFINITIONS. 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. PURCHASE-MONEY SECURITY INTEREST IN GOODS. 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. PURCHASE-MONEY SECURITY INTEREST IN SOFTWARE. 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. CONSIGNOR'S INVENTORY PURCHASE-MONEY SECURITY INTEREST. The security interest of a consignor in goods that are the subject of a consignment is a purchase-money security interest in inventory.

5. APPLICATION OF PAYMENT IN NONCONSUMER-GOODS TRANSACTION. 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:

(1) to obligations that are not secured; and

(2) 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. NO LOSS OF STATUS OF PURCHASE-MONEY SECURITY INTEREST IN NONCONSUMER-GOODS TRANSACTION. 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. BURDEN OF PROOF IN NONCONSUMER-GOODS TRANSACTION. 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. NONCONSUMER-GOODS TRANSACTIONS -- NO INFERENCE. 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.

Sec. 4. NEW SECTION. 554.9104 CONTROL OF DEPOSIT ACCOUNT.

1. REQUIREMENTS FOR CONTROL. 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. DEBTOR'S RIGHT TO DIRECT DISPOSITION. 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.

Sec. 5. NEW SECTION. 554.9105 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.

Sec. 6. NEW SECTION. 554.9106 CONTROL OF INVESTMENT PROPERTY.

1. CONTROL UNDER SECTION 554.8106. A person has control of a certificated security, uncertificated security, or security entitlement as provided in section 554.8106.

2. CONTROL OF COMMODITY CONTRACT. 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. EFFECT OF CONTROL OF SECURITIES ACCOUNT OR COMMODITY ACCOUNT. 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.

Sec. 7. NEW SECTION. 554.9107 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 section 554.5114, subsection 3, or otherwise applicable law or practice.

Sec. 8. NEW SECTION. 554.9108 SUFFICIENCY OF DESCRIPTION.

1. SUFFICIENCY OF DESCRIPTION. 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. EXAMPLES OF REASONABLE IDENTIFICATION. 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 chapter;
- 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. SUPERGENERIC DESCRIPTION NOT SUFFICIENT. 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. INVESTMENT PROPERTY. 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. WHEN DESCRIPTION BY TYPE INSUFFICIENT. A description only by type of collateral defined in this chapter 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.

B. APPLICABILITY OF ARTICLE

Sec. 9. NEW SECTION. 554.9109 SCOPE.

1. GENERAL SCOPE OF ARTICLE. Except as otherwise provided in subsections 3 and 4, this Article 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 554.2401, 554.2505, 554.2711, subsection 3, section 554.9110, or 554.13508, subsection 5; and
- f. a security interest arising under section 554.4210 or 554.5118.

2. SECURITY INTEREST IN SECURED OBLIGATION. The application of this Article 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 Article does not apply.

3. EXTENT TO WHICH ARTICLE DOES NOT APPLY. This Article does not apply to the extent that:

- a. a statute, regulation, or treaty of the United States preempts this Article;
- 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 554.5114.

4. INAPPLICABILITY OF ARTICLE. This Article 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 554.9333 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 554.9315 and 554.9322 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 setoff, but:

(1) section 554.9340 applies with respect to the effectiveness of rights of recoupment or setoff against deposit accounts; and

(2) section 554.9404 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:

(1) liens on real property in sections 554.9203 and 554.9308;

(2) fixtures in section 554.9334;

(3) fixture filings in sections 554.9501, 554.9502, 554.9512, 554.9516, and 554.9519; and

(4) security agreements covering personal and real property in section 554.9604;

l. an assignment of a claim arising in tort, other than a commercial tort claim, but sections 554.9315 and 554.9322 apply with respect to proceeds and priorities in proceeds; or

m. an assignment of a deposit account in a consumer transaction, but sections 554.9315 and 554.9322 apply with respect to proceeds and priorities in proceeds.

n. a transfer, other than a transfer pursuant to chapter 419, by this state or a governmental unit within this state in connection with a public-finance transaction or a transaction that would be a public-finance transaction but for failure to meet the criterion set forth in section 554.9102, subsection 1, paragraph "b", subparagraph (2).

o. an assignment of a claim or right to receive any of the following:

(1) compensation for injuries or sickness as provided in 26 U.S.C. § 104(a)(1) or (2).

(2) benefits under a special needs trust as provided in 42 U.S.C. § 1396p(d)(4).

Sec. 10. NEW SECTION. 554.9110 SECURITY INTERESTS ARISING UNDER ARTICLE 2 OR 13.

A security interest arising under section 554.2401, 554.2505, 554.2711, subsection 3, or section 554.13508, subsection 5, is subject to this Article. However, until the debtor obtains possession of the goods:

1. the security interest is enforceable, even if section 554.9203, subsection 2, paragraph "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 Article 2 or 13; and
4. the security interest has priority over a conflicting security interest created by the debtor.

PART 2

EFFECTIVENESS OF SECURITY AGREEMENT --  
ATTACHMENT OF SECURITY INTEREST --  
RIGHTS OF PARTIES TO SECURITY AGREEMENT  
A. EFFECTIVENESS AND ATTACHMENT

Sec. 11. NEW SECTION. 554.9201 GENERAL EFFECTIVENESS OF SECURITY AGREEMENT.

1. **GENERAL EFFECTIVENESS.** Except as otherwise provided in this chapter, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.
2. **APPLICABLE CONSUMER LAWS.** A transaction subject to this Article is subject to any applicable rule of law which establishes a different rule for consumers, including as provided in chapter 537, or any other statute or regulation of this state that regulates the rates, charges, agreements, and practices for loans, credit sales, or other extensions of credit, and to any consumer protection statute or regulation.
3. **OTHER APPLICABLE LAW CONTROLS.** In case of conflict between this Article 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. **FURTHER DEFERENCE TO OTHER APPLICABLE LAW.** This Article 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.

Sec. 12. NEW SECTION. 554.9202 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 Article with regard to rights and obligations apply whether title to collateral is in the secured party or the debtor.

Sec. 13. NEW SECTION. 554.9203 ATTACHMENT AND ENFORCEABILITY OF SECURITY INTEREST -- PROCEEDS -- SUPPORTING OBLIGATIONS -- FORMAL REQUISITES.

1. **ATTACHMENT.** 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. **ENFORCEABILITY.** 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:
    - (1) 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;

(2) the collateral is not a certificated security and is in the possession of the secured party under section 554.9313 pursuant to the debtor's security agreement;

(3) the collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under section 554.8301 pursuant to the debtor's security agreement; or

(4) the collateral is deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights, and the secured party has control under section 554.9104, 554.9105, 554.9106, or 554.9107 pursuant to the debtor's security agreement.

3. **OTHER UCC PROVISIONS.** Subsection 2 is subject to section 554.4210 on the security interest of a collecting bank, section 554.5118 on the security interest of a letter-of-credit issuer or nominated person, section 554.9110 on a security interest arising under Article 2 or 13, and section 554.9206 on security interests in investment property.

4. **WHEN PERSON BECOMES BOUND BY ANOTHER PERSON'S SECURITY AGREEMENT.** A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than this Article 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. **EFFECT OF NEW DEBTOR BECOMING BOUND.** If a new debtor becomes bound as debtor by a security agreement entered into by another person:

a. the agreement satisfies subsection 2, paragraph "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. **PROCEEDS AND SUPPORTING OBLIGATIONS.** The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by section 554.9315 and is also attachment of a security interest in a supporting obligation for the collateral.

7. **LIEN SECURING RIGHT TO PAYMENT.** 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. **SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.** 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. **COMMODITY CONTRACTS CARRIED IN COMMODITY ACCOUNT.** 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.

Sec. 14. **NEW SECTION.** 554.9204 **AFTER-ACQUIRED PROPERTY -- FUTURE ADVANCES.**

1. **AFTER-ACQUIRED COLLATERAL.** Except as otherwise provided in subsection 2, a security agreement may create or provide for a security interest in after-acquired collateral.

2. **WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE.** 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. **FUTURE ADVANCES AND OTHER VALUE.** A security agreement may provide that collateral secures, or that accounts, chattel paper, payment intangibles, or promissory notes are sold in connection with, future advances or other value, whether or not the advances or value are given pursuant to commitment.

Sec. 15. NEW SECTION. 554.9205 USE OR DISPOSITION OF COLLATERAL PERMISSIBLE.

1. WHEN SECURITY INTEREST NOT INVALID OR FRAUDULENT. A security interest is not invalid or fraudulent against creditors solely because:

- a. the debtor has the right or ability to:
  - (1) use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods;
  - (2) collect, compromise, enforce, or otherwise deal with collateral;
  - (3) accept the return of collateral or make repossessions;or
- (4) use, commingle, or dispose of proceeds; or
- b. the secured party fails to require the debtor to account for proceeds or replace collateral.

2. REQUIREMENTS OF POSSESSION NOT RELAXED. 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.

Sec. 16. NEW SECTION. 554.9206 SECURITY INTEREST ARISING IN PURCHASE OR DELIVERY OF FINANCIAL ASSET.

1. SECURITY INTEREST WHEN PERSON BUYS THROUGH SECURITIES INTERMEDIARY. 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. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR FINANCIAL ASSET. The security interest described in subsection 1 secures the person's obligation to pay for the financial asset.

3. SECURITY INTEREST IN PAYMENT AGAINST DELIVERY TRANSACTION. 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:
    - (1) in the ordinary course of business is transferred by delivery with any necessary indorsement or assignment; and
    - (2) 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. SECURITY INTEREST SECURES OBLIGATION TO PAY FOR DELIVERY. The security interest described in subsection 3 secures the obligation to make payment for the delivery.

B. RIGHTS AND DUTIES

Sec. 17. NEW SECTION. 554.9207 RIGHTS AND DUTIES OF SECURED PARTY HAVING POSSESSION OR CONTROL OF COLLATERAL.

1. DUTY OF CARE WHEN SECURED PARTY IN POSSESSION. 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. EXPENSES, RISKS, DUTIES, AND RIGHTS WHEN SECURED PARTY IN POSSESSION. 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:

- (1) for the purpose of preserving the collateral or its value;
- (2) as permitted by an order of a court having competent jurisdiction; or
- (3) except in the case of consumer goods, in the manner and to the extent agreed by the debtor.

3. DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR CONTROL. Except as otherwise provided in subsection 4, a secured party having possession of collateral or control of collateral under section 554.9104, 554.9105, 554.9106, or 554.9107:

- 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. BUYER OF CERTAIN RIGHTS TO PAYMENT. 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:

- (1) to charge back uncollected collateral; or
- (2) 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.

Sec. 18. NEW SECTION. 554.9208 ADDITIONAL DUTIES OF SECURED PARTY HAVING CONTROL OF COLLATERAL.

1. APPLICABILITY OF SECTION. This section applies to cases in which there is no outstanding secured obligation and the secured party is not committed to make advances, incur obligations, or otherwise give value.

2. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR. Within ten days after receiving an authenticated demand by the debtor:

a. a secured party having control of a deposit account under section 554.9104, subsection 1, paragraph "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 section 554.9104, subsection 1, paragraph "c", shall:

(1) pay the debtor the balance on deposit in the deposit account; or

(2) 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 554.9105 shall:

(1) communicate the authoritative copy of the electronic chattel paper to the debtor or its designated custodian;

(2) 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

(3) 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 section 554.8106, subsection 4, paragraph "b", or section 554.9106, subsection 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 554.9107 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.

Sec. 19. NEW SECTION. 554.9209 DUTIES OF SECURED PARTY IF ACCOUNT DEBTOR HAS BEEN NOTIFIED OF ASSIGNMENT.

1. APPLICABILITY OF SECTION. 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. DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR. 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 section 554.9406, subsection 1, an authenticated record that releases the account debtor from any further obligation to the secured party.

3. INAPPLICABILITY TO SALES. This section does not apply to an assignment constituting the sale of an account, chattel paper, or payment intangible.

Sec. 20. NEW SECTION. 554.9210 REQUEST FOR ACCOUNTING -- REQUEST REGARDING LIST OF COLLATERAL OR STATEMENT OF ACCOUNT.

1. DEFINITIONS. In this section:

- a. "Request" means a record of a type described in paragraph "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. DUTY TO RESPOND TO REQUESTS. 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 fourteen 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. REQUEST REGARDING LIST OF COLLATERAL -- STATEMENT CONCERNING TYPE OF COLLATERAL. A secured party that claims a security interest in all of a particular type of collateral owned by the debtor may comply with a request regarding a list of collateral by sending to the debtor an authenticated record including a statement to that effect within fourteen days after receipt.

4. REQUEST REGARDING LIST OF COLLATERAL -- NO INTEREST CLAIMED. A person that receives a request regarding a list of collateral, claims no interest in the collateral when it

receives the request, and claimed an interest in the collateral at an earlier time shall comply with the request within fourteen 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. REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF ACCOUNT -- NO INTEREST IN OBLIGATION CLAIMED. A person that receives a request for an accounting or a request regarding a statement of account, claims no interest in the obligations when it receives the request, and claimed an interest in the obligations at an earlier time shall comply with the request within fourteen 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. CHARGES FOR RESPONSES. A debtor is entitled without charge to one response to a request under this section during any six-month period. The secured party may require payment of a charge not exceeding twenty-five dollars for each additional response.

### PART 3

#### PERFECTION AND PRIORITY

##### A. LAW GOVERNING PERFECTION AND PRIORITY

Sec. 21. NEW SECTION. 554.9301 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS.

Except as otherwise provided in sections 554.9303, 554.9304, 554.9305, and 554.9306, 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.

Sec. 22. NEW SECTION. 554.9302 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.

Sec. 23. NEW SECTION. 554.9303 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN GOODS COVERED BY A CERTIFICATE OF TITLE.

1. APPLICABILITY OF SECTION. 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. WHEN GOODS COVERED BY CERTIFICATE OF TITLE. 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. APPLICABLE LAW. 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.

Sec. 24. NEW SECTION. 554.9304 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN DEPOSIT ACCOUNTS.

1. LAW OF BANK'S JURISDICTION GOVERNS. The local law of a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a deposit account maintained with that bank.

2. BANK'S JURISDICTION. 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 Article, or this chapter, that jurisdiction is the bank's jurisdiction.

b. If paragraph "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 paragraph "a" nor paragraph "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 paragraphs applies, the bank's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the customer's account is located.

e. If none of the preceding paragraphs applies, the bank's jurisdiction is the jurisdiction in which the chief executive office of the bank is located.

Sec. 25. NEW SECTION. 554.9305 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN INVESTMENT PROPERTY.

1. GOVERNING LAW -- GENERAL RULES. 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 section 554.8110, subsection 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 section 554.8110, subsection 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. COMMODITY INTERMEDIARY'S JURISDICTION. 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 Article, or this chapter, that jurisdiction is the commodity intermediary's jurisdiction.

b. If paragraph "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 paragraph "a" nor paragraph "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 preceding paragraphs applies, the commodity intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the commodity customer's account is located.

e. If none of the preceding paragraphs applies, the commodity intermediary's jurisdiction is the jurisdiction in which the chief executive office of the commodity intermediary is located.

3. WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE DEBTOR LOCATED. 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.

Sec. 26. NEW SECTION. 554.9306 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN LETTER-OF-CREDIT RIGHTS.

1. GOVERNING LAW -- ISSUER'S OR NOMINATED PERSON'S JURISDICTION. 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. ISSUER'S OR NOMINATED PERSON'S JURISDICTION. 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 554.5116.

3. WHEN SECTION NOT APPLICABLE. This section does not apply to a security interest that is perfected only under section 554.9308, subsection 4.

Sec. 27. NEW SECTION. 554.9307 LOCATION OF DEBTOR.

1. PLACE OF BUSINESS. In this section, "place of business" means a place where a debtor conducts its affairs.

2. DEBTOR'S LOCATION -- GENERAL RULES. 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. LIMITATION OF APPLICABILITY OF SUBSECTION 2. 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. CONTINUATION OF LOCATION -- CESSATION OF EXISTENCE, ETC. 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. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER STATE LAW. A registered organization that is organized under the law of a state is located in that state.

6. LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER FEDERAL LAW -- BANK BRANCHES AND AGENCIES. 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 paragraph "a" nor paragraph "b" applies.

7. CONTINUATION OF LOCATION -- CHANGE IN STATUS OF REGISTERED ORGANIZATION. 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. LOCATION OF UNITED STATES. The United States is located in the District of Columbia.

9. LOCATION OF FOREIGN BANK BRANCH OR AGENCY IF LICENSED IN ONLY ONE STATE. 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. LOCATION OF FOREIGN AIR CARRIER. 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. SECTION APPLIES ONLY TO THIS PART. This section applies only for purposes of this part.

#### B. PERFECTION

Sec. 28. NEW SECTION. 554.9308 WHEN SECURITY INTEREST OR AGRICULTURAL LIEN IS PERFECTED -- CONTINUITY OF PERFECTION.

1. PERFECTION OF SECURITY INTEREST. Except as otherwise provided in this section and section 554.9309, a security interest is perfected if it has attached and all of the applicable requirements for perfection in sections 554.9310, 554.9311, 554.9312, 554.9313, 554.9314, 554.9315, and 554.9316 have been satisfied. A security interest is perfected when it attaches if the applicable requirements are satisfied before the security interest attaches.

2. PERFECTION OF AGRICULTURAL LIEN. An agricultural lien is perfected if it has become effective and all of the applicable requirements for perfection in section 554.9310 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. CONTINUOUS PERFECTION -- PERFECTION BY DIFFERENT METHODS. A security interest or agricultural lien is perfected continuously if it is originally perfected by one method under this Article and is later perfected by another method under this Article, without an intermediate period when it was unperfected.

4. SUPPORTING OBLIGATION. Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.

5. LIEN SECURING RIGHT TO PAYMENT. 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. SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT. Perfection of a security interest in a securities account also perfects a security interest in the security entitlements carried in the securities account.

7. COMMODITY CONTRACT CARRIED IN COMMODITY ACCOUNT. Perfection of a security interest in a commodity account also perfects a security interest in the commodity contracts carried in the commodity account.

Sec. 29. NEW SECTION. 554.9309 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 section 554.9311, subsection 2, with respect to consumer goods that are subject to a statute or treaty described in section 554.9311, subsection 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 554.2401, 554.2505, 554.2711, subsection 3, or section 554.13508, subsection 5, until the debtor obtains possession of the collateral;

7. a security interest of a collecting bank arising under section 554.4210;

8. a security interest of an issuer or nominated person arising under section 554.5118;

9. a security interest arising in the delivery of a financial asset under section 554.9206, subsection 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.

Sec. 30. NEW SECTION. 554.9310 WHEN FILING REQUIRED TO PERFECT SECURITY INTEREST OR AGRICULTURAL LIEN -- SECURITY INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING PROVISIONS DO NOT APPLY.

1. GENERAL RULE -- PERFECTION BY FILING. Except as otherwise provided in subsection 2 and section 554.9312, subsection 2, a financing statement must be filed to perfect all security interests and agricultural liens.

2. EXCEPTIONS -- FILING NOT NECESSARY. The filing of a financing statement is not necessary to perfect a security interest:

- a. that is perfected under section 554.9308, subsection 4, 5, 6, or 7;
- b. that is perfected under section 554.9309 when it attaches;
- c. in property subject to a statute, regulation, or treaty described in section 554.9311, subsection 1;
- d. in goods in possession of a bailee which is perfected under section 554.9312, subsection 4, paragraph "a" or "b";
- e. in certificated securities, documents, goods, or instruments which is perfected without filing or possession under section 554.9312, subsection 5, 6, or 7;

- f. in collateral in the secured party's possession under section 554.9313;
- g. in a certificated security which is perfected by delivery of the security certificate to the secured party under section 554.9313;
- h. in deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights which is perfected by control under section 554.9314;
- i. in proceeds which is perfected under section 554.9315; or
- j. that is perfected under section 554.9316.

3. ASSIGNMENT OF PERFECTED SECURITY INTEREST. If a secured party assigns a perfected security interest or agricultural lien, a filing under this Article is not required to continue the perfected status of the security interest against creditors of and transferees from the original debtor.

Sec. 31. NEW SECTION. 554.9311 PERFECTION OF SECURITY INTERESTS IN PROPERTY SUBJECT TO CERTAIN STATUTES, REGULATIONS, AND TREATIES.

- 1. SECURITY INTEREST SUBJECT TO OTHER LAW. 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 section 554.9310, subsection 1;
  - b. any certificate-of-title statute, including as provided in chapter 321, covering automobiles, trailers, mobile homes, boats, farm tractors, or the like, which provides for a security interest to be indicated on the certificate as a condition or result of perfection; 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 OTHER LAW. 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 Article. Except as otherwise provided in subsection 4 and sections 554.9313 and 554.9316, subsections 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. DURATION AND RENEWAL OF PERFECTION. Except as otherwise provided in subsection 4 and section 554.9316, subsections 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 Article.

4. INAPPLICABILITY TO CERTAIN INVENTORY. During any period in which collateral subject to a statute specified in subsection 1, paragraph "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.

Sec. 32. NEW SECTION. 554.9312 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. PERFECTION BY FILING PERMITTED. A security interest in chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

2. CONTROL OR POSSESSION OF CERTAIN COLLATERAL. Except as otherwise provided in section 554.9315, subsections 3 and 4, for proceeds:

- a. a security interest in a deposit account may be perfected only by control under section 554.9314;
- b. and except as otherwise provided in section 554.9308, subsection 4, a security interest in a letter-of-credit right may be perfected only by control under section 554.9314; and
- c. a security interest in money may be perfected only by the secured party's taking possession under section 554.9313.

3. GOODS COVERED BY NEGOTIABLE DOCUMENT. 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. GOODS COVERED BY NONNEGOTIABLE DOCUMENT. While goods are in the possession of a bailee that has issued a nonnegotiable document covering the goods, a security interest in the goods may be perfected by:

- 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. TEMPORARY PERFECTION -- NEW VALUE. A security interest in certificated securities, negotiable documents, or instruments is perfected without filing or the taking of possession for a period of twenty days from the time it attaches to the extent that it arises for new value given under an authenticated security agreement.

6. TEMPORARY PERFECTION -- GOODS OR DOCUMENTS MADE AVAILABLE TO DEBTOR. 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 twenty 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. TEMPORARY PERFECTION -- DELIVERY OF SECURITY CERTIFICATE OR INSTRUMENT TO DEBTOR. A perfected security interest in a certificated security or instrument remains perfected for twenty 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. EXPIRATION OF TEMPORARY PERFECTION. After the twenty-day period specified in subsection 5, 6, or 7 expires, perfection depends upon compliance with this Article.

Sec. 33. NEW SECTION. 554.9313 WHEN POSSESSION BY OR DELIVERY TO SECURED PARTY PERFECTS SECURITY INTEREST WITHOUT FILING.

1. PERFECTION BY POSSESSION OR DELIVERY. 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 554.8301.

2. GOODS COVERED BY CERTIFICATE OF TITLE. 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 section 554.9316, subsection 5.

3. COLLATERAL IN POSSESSION OF PERSON OTHER THAN DEBTOR.

With respect to collateral other than certificated securities and goods covered by a document, a secured party takes possession of collateral in the possession of a person other than the debtor, the secured party, or a lessee of the collateral from the debtor in the ordinary course of the debtor's business, when:

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. TIME OF PERFECTION BY POSSESSION -- CONTINUATION OF PERFECTION. 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. TIME OF PERFECTION BY DELIVERY -- CONTINUATION OF PERFECTION. A security interest in a certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under section 554.8301 and remains perfected by delivery until the debtor obtains possession of the security certificate.

6. ACKNOWLEDGMENT NOT REQUIRED. A person in possession of collateral is not required to acknowledge that it holds possession for a secured party's benefit.

7. EFFECTIVENESS OF ACKNOWLEDGMENT -- NO DUTIES OR CONFIRMATION. If a person acknowledges that it holds possession for the secured party's benefit:

a. the acknowledgment is effective under subsection 3 or section 554.8301, subsection 1, even if the acknowledgment violates the rights of a debtor; and

b. unless the person otherwise agrees or law other than this Article 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. SECURED PARTY'S DELIVERY TO PERSON OTHER THAN DEBTOR.

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. EFFECT OF DELIVERY UNDER SUBSECTION 8 -- NO DUTIES OR CONFIRMATION. 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 Article otherwise provides.

Sec. 34. NEW SECTION. 554.9314 PERFECTION BY CONTROL.

1. PERFECTION BY CONTROL. 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 554.9104, 554.9105, 554.9106, or 554.9107.

2. SPECIFIED COLLATERAL -- TIME OF PERFECTION BY CONTROL -- CONTINUATION OF PERFECTION. A security interest in deposit accounts, electronic chattel paper, or letter-of-credit rights is perfected by control under section 554.9104, 554.9105, or 554.9107 when the secured party obtains control and remains perfected by control only while the secured party retains control.

3. INVESTMENT PROPERTY -- TIME OF PERFECTION BY CONTROL -- CONTINUATION OF PERFECTION. A security interest in investment property is perfected by control under section 554.9106 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:
  - (1) if the collateral is a certificated security, the debtor has or acquires possession of the security certificate;
  - (2) if the collateral is an uncertificated security, the issuer has registered or registers the debtor as the registered owner; or
  - (3) if the collateral is a security entitlement, the debtor is or becomes the entitlement holder.

Sec. 35. NEW SECTION. 554.9315 SECURED PARTY'S RIGHTS ON DISPOSITION OF COLLATERAL AND IN PROCEEDS.

1. DISPOSITION OF COLLATERAL -- CONTINUATION OF SECURITY INTEREST OR AGRICULTURAL LIEN -- PROCEEDS. Except as otherwise provided in this Article and in section 554.2403, subsection 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. WHEN COMMINGLED PROCEEDS IDENTIFIABLE. Proceeds that are commingled with other property are identifiable proceeds:

- a. if the proceeds are goods, to the extent provided by section 554.9336; 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 Article with respect to commingled property of the type involved.

3. PERFECTION OF SECURITY INTEREST IN PROCEEDS. A security interest in proceeds is a perfected security interest if the security interest in the original collateral was perfected.

4. CONTINUATION OF PERFECTION. A perfected security interest in proceeds becomes unperfected on the twenty-first day after the security interest attaches to the proceeds unless:

- a. the following conditions are satisfied:
  - (1) a filed financing statement covers the original collateral;
  - (2) 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
  - (3) 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 twenty days thereafter.

5. WHEN PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES UNPERFECTED. If a filed financing statement covers the original collateral, a security interest in proceeds which remains perfected under subsection 4, paragraph "a", becomes unperfected at the later of:

- a. when the effectiveness of the filed financing statement lapses under section 554.9515 or is terminated under section 554.9513; or
- b. the twenty-first day after the security interest attaches to the proceeds.

Sec. 36. NEW SECTION. 554.9316 CONTINUED PERFECTION OF SECURITY INTEREST FOLLOWING CHANGE IN GOVERNING LAW.

1. GENERAL RULE -- EFFECT ON PERFECTION OF CHANGE IN GOVERNING LAW. A security interest perfected pursuant to the law of the jurisdiction designated in section 554.9301, subsection 1, or section 554.9305, subsection 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. SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF NEW JURISDICTION. 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. POSSESSORY SECURITY INTEREST IN COLLATERAL MOVED TO NEW JURISDICTION. A possessory security interest in collateral, other than goods covered by a certificate of title and as-extracted collateral consisting of goods, remains continuously perfected if:

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. GOODS COVERED BY CERTIFICATE OF TITLE FROM THIS STATE. 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. WHEN SUBSECTION 4 SECURITY INTEREST BECOMES UNPERFECTED AGAINST PURCHASERS. 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 section 554.9311, subsection 2, or section 554.9313 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. CHANGE IN JURISDICTION OF BANK, ISSUER, NOMINATED PERSON, SECURITIES INTERMEDIARY, OR COMMODITY INTERMEDIARY. 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. SUBSECTION 6 SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF NEW JURISDICTION. 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.

C. PRIORITY

Sec. 37. NEW SECTION. 554.9317 INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST OR AGRICULTURAL LIEN.



1. **CONFLICTING SECURITY INTERESTS AND RIGHTS OF LIEN CREDITORS.** A security interest or agricultural lien is subordinate to the rights of:

- a. a person entitled to priority under section 554.9322; and
- b. except as otherwise provided in subsection 5, a person that becomes a lien creditor before the earlier of the time:
  - (1) The security interest or agricultural lien is perfected; or
  - (2) One of the conditions specified in section 554.9203, subsection 2, paragraph "c" is met and a financing statement covering the collateral is filed.

2. **BUYERS THAT RECEIVE DELIVERY.** 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. **LESSEES THAT RECEIVE DELIVERY.** 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. **LICENSEES AND BUYERS OF CERTAIN COLLATERAL.** 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. **PURCHASE-MONEY SECURITY INTEREST.** Except as otherwise provided in sections 554.9320 and 554.9321, if a person files a financing statement with respect to a purchase-money security interest before or within twenty 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.

Sec. 38. **NEW SECTION.** 554.9318 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. **SELLER RETAINS NO INTEREST.** 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. **DEEMED RIGHTS OF DEBTOR IF BUYER'S SECURITY INTEREST UNPERFECTED.** 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.

Sec. 39. **NEW SECTION.** 554.9319 RIGHTS AND TITLE OF CONSIGNEE WITH RESPECT TO CREDITORS AND PURCHASERS.

1. **CONSIGNEE HAS CONSIGNOR'S RIGHTS.** 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. **APPLICABILITY OF OTHER LAW.** For purposes of determining the rights of a creditor of a consignee, law other than this Article 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.

Sec. 40. **NEW SECTION.** 554.9320 BUYER OF GOODS.

1. BUYER IN ORDINARY COURSE OF BUSINESS. 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. BUYER OF CONSUMER GOODS. 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. EFFECTIVENESS OF FILING FOR SUBSECTION 2. 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 section 554.9316, subsections 1 and 2.

4. BUYER IN ORDINARY COURSE OF BUSINESS AT WELLHEAD OR MINEHEAD. 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. POSSESSORY SECURITY INTEREST NOT AFFECTED. Subsections 1 and 2 do not affect a security interest in goods in the possession of the secured party under section 554.9313.

Sec. 41. NEW SECTION. 554.9321 LICENSEE OF GENERAL INTANGIBLE AND LESSEE OF GOODS IN ORDINARY COURSE OF BUSINESS.

1. LICENSEE IN ORDINARY COURSE OF BUSINESS. 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. RIGHTS OF LICENSEE IN ORDINARY COURSE OF BUSINESS. 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. RIGHTS OF LESSEE IN ORDINARY COURSE OF BUSINESS. 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.

Sec. 42. NEW SECTION. 554.9322 PRIORITIES AMONG CONFLICTING SECURITY INTERESTS IN AND AGRICULTURAL LIENS ON SAME COLLATERAL.

1. GENERAL PRIORITY RULES. 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. TIME OF PERFECTION -- PROCEEDS AND SUPPORTING OBLIGATIONS. For the purposes of subsection 1, paragraph "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. SPECIAL PRIORITY RULES -- PROCEEDS AND SUPPORTING OBLIGATIONS. Except as otherwise provided in subsection 6, a security interest in collateral which qualifies for priority over a conflicting security interest under section 554.9327, 554.9328, 554.9329, 554.9330, or 554.9331 also has priority over a conflicting security interest in:

a. any supporting obligation for the collateral; and

b. proceeds of the collateral if:

(1) the security interest in proceeds is perfected;

(2) the proceeds are cash proceeds or of the same type as the collateral; and

(3) 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. FIRST-TO-FILE PRIORITY RULE FOR CERTAIN COLLATERAL. 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. APPLICABILITY OF SUBSECTION 4. 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. LIMITATIONS ON SUBSECTIONS 1 THROUGH 5. Subsections 1 through 5 are subject to:

a. subsection 7 and the other provisions of this part;

b. section 554.4210 with respect to a security interest of a collecting bank;

c. section 554.5118 with respect to a security interest of an issuer or nominated person; and

d. section 554.9110 with respect to a security interest arising under Article 2 or 13.

7. PRIORITY UNDER AGRICULTURAL LIEN STATUTE. 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.

Sec. 43. NEW SECTION. 554.9323 FUTURE ADVANCES.

1. WHEN PRIORITY BASED ON TIME OF ADVANCE. Except as otherwise provided in subsection 3, for purposes of determining the priority of a perfected security interest under section 554.9322, subsection 1, paragraph "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:

(1) under section 554.9309 when it attaches; or

(2) temporarily under section 554.9312, subsection 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 554.9309 or 554.9312, subsection 5, 6, or 7.

2. LIEN CREDITOR. 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 forty-five 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. **BUYER OF RECEIVABLES.** 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. **BUYER OF GOODS.** 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. forty-five days after the purchase.

5. **ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF BUYER OF GOODS.** 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 forty-five-day period.

6. **LESSEE OF GOODS.** 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. forty-five days after the lease contract becomes enforceable.

7. **ADVANCES MADE PURSUANT TO COMMITMENT -- PRIORITY OF LESSEE OF GOODS.** 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 forty-five-day period.

Sec. 44. **NEW SECTION.** 554.9324 **PRIORITY OF PURCHASE-MONEY SECURITY INTERESTS.**

1. **GENERAL RULE -- PURCHASE-MONEY PRIORITY.** 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 554.9327, 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 twenty days thereafter.

2. **INVENTORY PURCHASE-MONEY PRIORITY.** 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 554.9330, and, except as otherwise provided in section 554.9327, 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. **HOLDERS OF CONFLICTING INVENTORY SECURITY INTERESTS TO BE NOTIFIED.** Subsection 2, paragraphs "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 section 554.9312, subsection 6, before the beginning of the twenty-day period thereunder.

4. **LIVESTOCK PURCHASE-MONEY PRIORITY.** 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 554.9327, 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. **HOLDERS OF CONFLICTING LIVESTOCK SECURITY INTERESTS TO BE NOTIFIED.** Subsection 4, paragraphs "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 section 554.9312, subsection 6, before the beginning of the twenty-day period thereunder.

6. **SOFTWARE PURCHASE-MONEY PRIORITY.** 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 554.9327, 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. **CONFLICTING PURCHASE-MONEY SECURITY INTERESTS.** 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, section 554.9322, subsection 1, applies to the qualifying security interests.

Sec. 45. **NEW SECTION.** 554.9325 **PRIORITY OF SECURITY INTERESTS IN TRANSFERRED COLLATERAL.**

1. **SUBORDINATION OF SECURITY INTEREST IN TRANSFERRED COLLATERAL.** 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. LIMITATION OF SUBSECTION 1 SUBORDINATION. Subsection 1 subordinates a security interest only if the security interest:

a. otherwise would have priority solely under section 554.9322, subsection 1, or section 554.9324; or

b. arose solely under section 554.2711, subsection 3, or section 554.13508, subsection 5.

Sec. 46. NEW SECTION. 554.9326 PRIORITY OF SECURITY INTERESTS CREATED BY NEW DEBTOR.

1. SUBORDINATION OF SECURITY INTEREST CREATED BY NEW DEBTOR. 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 554.9508 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 554.9508.

2. PRIORITY UNDER OTHER PROVISIONS -- MULTIPLE ORIGINAL DEBTORS. 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 554.9508. 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.

Sec. 47. NEW SECTION. 554.9327 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 554.9104 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 554.9314 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 section 554.9104, subsection 1, paragraph "c", has priority over a security interest held by the bank with which the deposit account is maintained.

Sec. 48. NEW SECTION. 554.9328 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 554.9106 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 554.9106 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:

(1) if the secured party obtained control under section 554.8106, subsection 4, paragraph "a", the secured party's becoming the person for which the securities account is maintained;

(2) if the secured party obtained control under section 554.8106, subsection 4, paragraph "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

(3) if the secured party obtained control through another person under section 554.8106, subsection 4, paragraph "b", 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 section 554.9106, subsection 2, paragraph "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 section 554.9313, subsection 1, and not by control under section 554.9314 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 554.9106 rank equally.

7. In all other cases, priority among conflicting security interests in investment property is governed by sections 554.9322 and 554.9323.

Sec. 49. NEW SECTION. 554.9329 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 554.9107 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 554.9314 rank according to priority in time of obtaining control.

Sec. 50. NEW SECTION. 554.9330 PRIORITY OF PURCHASER OF CHATTEL PAPER OR INSTRUMENT.

1. PURCHASER'S PRIORITY -- SECURITY INTEREST CLAIMED MERELY AS PROCEEDS. A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed merely as proceeds of inventory subject to a security interest if:

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 554.9105; and

b. the chattel paper does not indicate that it has been assigned to an identified assignee other than the purchaser.

2. PURCHASER'S PRIORITY -- OTHER SECURITY INTERESTS. A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed other than merely as proceeds of inventory subject to a security interest if the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under section 554.9105 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. CHATTEL PAPER PURCHASER'S PRIORITY IN PROCEEDS. Except as otherwise provided in section 554.9327, 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 554.9322 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. INSTRUMENT PURCHASER'S PRIORITY. Except as otherwise provided in section 554.9331, subsection 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. HOLDER OF PURCHASE-MONEY SECURITY INTEREST GIVES NEW VALUE. 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. INDICATION OF ASSIGNMENT GIVES KNOWLEDGE. 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.

Sec. 51. NEW SECTION. 554.9331 PRIORITY OF RIGHTS OF PURCHASERS OF INSTRUMENTS, DOCUMENTS, AND SECURITIES UNDER OTHER ARTICLES -- PRIORITY OF INTERESTS IN FINANCIAL ASSETS AND SECURITY ENTITLEMENTS UNDER ARTICLE 8.

1. RIGHTS UNDER ARTICLES 3, 7, AND 8 NOT LIMITED. This Article does not limit the rights of a holder in due course of a negotiable instrument, a holder to which a negotiable document of title has been duly negotiated, 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 Articles 3, 7, and 8.

2. PROTECTION UNDER ARTICLE 8. This Article does not limit the rights of or impose liability on a person to the extent that the person is protected against the assertion of a claim under Article 8.

3. FILING NOT NOTICE. Filing under this Article does not constitute notice of a claim or defense to the holders, or purchasers, or persons described in subsections 1 and 2.

Sec. 52. NEW SECTION. 554.9332 TRANSFER OF MONEY -- TRANSFER OF FUNDS FROM DEPOSIT ACCOUNT.

1. TRANSFEREE OF MONEY. 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. TRANSFEREE OF FUNDS FROM DEPOSIT ACCOUNT. A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

Sec. 53. NEW SECTION. 554.9333 PRIORITY OF CERTAIN LIENS ARISING BY OPERATION OF LAW.

1. POSSESSORY LIEN. 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. PRIORITY OF POSSESSORY LIEN. 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.

Sec. 54. NEW SECTION. 554.9334 PRIORITY OF SECURITY INTERESTS IN FIXTURES AND CROPS.

1. SECURITY INTEREST IN FIXTURES UNDER THIS ARTICLE. A security interest under this Article may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under this Article in ordinary building materials incorporated into an improvement on land.



2. SECURITY INTEREST IN FIXTURES UNDER REAL-PROPERTY LAW. This Article does not prevent creation of an encumbrance upon fixtures under real property law.

3. GENERAL RULE -- SUBORDINATION OF SECURITY INTEREST IN FIXTURES. 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. FIXTURES PURCHASE-MONEY PRIORITY. 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 twenty days thereafter.

5. PRIORITY OF SECURITY INTEREST IN FIXTURES OVER INTERESTS IN REAL PROPERTY. 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:
  - (1) is perfected by a fixture filing before the interest of the encumbrancer or owner is of record; and
  - (2) 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 Article and the fixtures are readily removable:
  - (1) factory or office machines;

(2) equipment that is not primarily used or leased for use in the operation of the real property; or

(3) 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 Article; or

d. the security interest is:

(1) created in a manufactured home in a manufactured-home transaction; and

(2) perfected pursuant to a statute described in section 554.9311, subsection 1, paragraph "b".

6. PRIORITY BASED ON CONSENT, DISCLAIMER, OR RIGHT TO REMOVE. A security interest in fixtures, whether or not perfected, has priority over a conflicting interest of an encumbrancer or owner of the real property if:

- 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. CONTINUATION OF SUBSECTION 6, PARAGRAPH "b", PRIORITY. The priority of the security interest under subsection 6, paragraph "b", continues for a reasonable time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

8. PRIORITY OF CONSTRUCTION MORTGAGE. 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. PRIORITY OF SECURITY INTEREST IN CROPS. Except as provided in subsection 10, 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.

10. AGRICULTURAL LIENS PREVAIL. The provisions of this Article regarding agricultural liens prevail over any inconsistent provisions of subsection 9.

Sec. 55. NEW SECTION. 554.9335 ACCESSIONS.

1. CREATION OF SECURITY INTEREST IN ACCESSION. A security interest may be created in an accession and continues in collateral that becomes an accession.

2. PERFECTION OF SECURITY INTEREST. If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the collateral.

3. PRIORITY OF SECURITY INTEREST. Except as otherwise provided in subsection 4, the other provisions of this part determine the priority of a security interest in an accession.

4. COMPLIANCE WITH CERTIFICATE-OF-TITLE STATUTE. 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 section 554.9311, subsection 2.

5. REMOVAL OF ACCESSION AFTER DEFAULT. 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. REIMBURSEMENT FOLLOWING REMOVAL. 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.

Sec. 56. NEW SECTION. 554.9336 COMMINGLED GOODS.

1. COMMINGLED GOODS. 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. NO SECURITY INTEREST IN COMMINGLED GOODS AS SUCH. 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. ATTACHMENT OF SECURITY INTEREST TO PRODUCT OR MASS. If collateral becomes commingled goods, a security interest attaches to the product or mass.

4. PERFECTION OF SECURITY INTEREST. 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. PRIORITY OF SECURITY INTEREST. 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. CONFLICTING SECURITY INTERESTS IN PRODUCT OR MASS. 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.

Sec. 57. NEW SECTION. 554.9337 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 section 554.9311, subsection 2, after issuance of the certificate and without the conflicting secured party's knowledge of the security interest.

Sec. 58. NEW SECTION. 554.9338 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 section 554.9516, subsection 2, paragraph "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.

Sec. 59. NEW SECTION. 554.9339 PRIORITY SUBJECT TO SUBORDINATION.

This Article does not preclude subordination by agreement by a person entitled to priority.

#### D. RIGHTS OF BANK

Sec. 60. NEW SECTION. 554.9340 EFFECTIVENESS OF RIGHT OF RECOUPMENT OR SETOFF AGAINST DEPOSIT ACCOUNT.

1. EXERCISE OF RECOUPMENT OR SETOFF. Except as otherwise provided in subsection 3, a bank with which a deposit account is maintained may exercise any right of recoupment or setoff against a secured party that holds a security interest in the deposit account.
2. RECOUPMENT OR SETOFF NOT AFFECTED BY SECURITY INTEREST. Except as otherwise provided in subsection 3, the application of this Article to a security interest in a deposit account does not affect a right of recoupment or setoff of the secured party as to a deposit account maintained with the secured party.
3. WHEN SETOFF INEFFECTIVE. The exercise by a bank of a setoff 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 section 554.9104, subsection 1, paragraph "c", if the setoff is based on a claim against the debtor.

Sec. 61. NEW SECTION. 554.9341 BANK'S RIGHTS AND DUTIES WITH RESPECT TO DEPOSIT ACCOUNT.

Except as otherwise provided in section 554.9340, subsection 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.

Sec. 62. NEW SECTION. 554.9342 BANK'S RIGHT TO REFUSE TO ENTER INTO OR DISCLOSE EXISTENCE OF CONTROL AGREEMENT.

This Article does not require a bank to enter into an agreement of the kind described in section 554.9104, subsection 1, paragraph "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.

#### PART 4

#### RIGHTS OF THIRD PARTIES

Sec. 63. NEW SECTION. 554.9401 ALIENABILITY OF DEBTOR'S RIGHTS.

1. OTHER LAW GOVERNS ALIENABILITY -- EXCEPTIONS. Except as otherwise provided in subsection 2 and sections 554.9406, 554.9407, 554.9408, and 554.9409, whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is governed by law other than this Article.

2. AGREEMENT DOES NOT PREVENT TRANSFER. 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.

Sec. 64. NEW SECTION. 554.9402 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.

Sec. 65. NEW SECTION. 554.9403 AGREEMENT NOT TO ASSERT DEFENSES AGAINST ASSIGNEE.

1. VALUE. In this section, "value" has the meaning provided in section 554.3303, subsection 1.

2. AGREEMENT NOT TO ASSERT CLAIM OR DEFENSE. 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 section 554.3305, subsection 1.

3. WHEN SUBSECTION 2 NOT APPLICABLE. 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 section 554.3305, subsection 2.

4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION. In a consumer transaction, if a record evidences the account debtor's obligation, law other than this Article 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. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is subject to law other than this Article which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

6. OTHER LAW NOT DISPLACED. Except as otherwise provided in subsection 4, this section does not displace law other than this Article which gives effect to an agreement by an account debtor not to assert a claim or defense against an assignee.

Sec. 66. NEW SECTION. 554.9404 RIGHTS ACQUIRED BY ASSIGNEE -- CLAIMS AND DEFENSES AGAINST ASSIGNEE.

1. ASSIGNEE'S RIGHTS SUBJECT TO TERMS, CLAIMS, AND DEFENSES -- EXCEPTIONS. Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsections 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. ACCOUNT DEBTOR'S CLAIM REDUCES AMOUNT OWED TO ASSIGNEE. 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. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is subject to law other than this Article which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

4. OMISSION OF REQUIRED STATEMENT IN CONSUMER TRANSACTION. In a consumer transaction, if a record evidences the account debtor's obligation, law other than this Article 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. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE. This section does not apply to an assignment of a health-care-insurance receivable.

Sec. 67. NEW SECTION. 554.9405 MODIFICATION OF ASSIGNED CONTRACT.

1. EFFECT OF MODIFICATION ON ASSIGNEE. 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 is subject to subsections 2 through 4.

2. APPLICABILITY OF SUBSECTION 1. 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 section 554.9406, subsection 1.

3. RULE FOR INDIVIDUAL UNDER OTHER LAW. This section is subject to law other than this Article which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

4. INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE. This section does not apply to an assignment of a health-care-insurance receivable.

Sec. 68. NEW SECTION. 554.9406 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. DISCHARGE OF ACCOUNT DEBTOR -- EFFECT OF NOTIFICATION. 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. WHEN NOTIFICATION INEFFECTIVE. 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 Article; 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:

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

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

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

3. PROOF OF ASSIGNMENT. 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. TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE. Except as otherwise provided in subsection 5 and sections 554.9407 and 554.13303, 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. INAPPLICABILITY OF SUBSECTION 4 TO CERTAIN SALES. Subsection 4 does not apply to the sale of a payment intangible or promissory note.

6. LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE. Except as otherwise provided in sections 554.9407 and 554.13303 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. SUBSECTION 2, PARAGRAPH "C", NOT WAIVABLE. Subject to subsection 8, an account debtor may not waive or vary its option under subsection 2, paragraph "c".

8. **RULE FOR INDIVIDUAL UNDER OTHER LAW.** This section is subject to law other than this Article which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

9. **INAPPLICABILITY TO HEALTH-CARE-INSURANCE RECEIVABLE.** This section does not apply to an assignment of a health-care-insurance receivable.

10. **SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW.** This section prevails over any inconsistent provision of an existing or future statute, rule, or regulation of this state unless the provision is contained in a statute of this state, refers expressly to this section, and states that the provision prevails over this section.

Sec. 69. **NEW SECTION.** 554.9407 RESTRICTIONS ON CREATION OR ENFORCEMENT OF SECURITY INTEREST IN LEASEHOLD INTEREST OR IN LESSOR'S RESIDUAL INTEREST.

1. **TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.**

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. **EFFECTIVENESS OF CERTAIN TERMS.** Except as otherwise provided in section 554.13303, subsection 7, a term described in subsection 1, paragraph "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. **SECURITY INTEREST NOT MATERIAL IMPAIRMENT.** 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 section 554.13303, subsection 3, unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

Sec. 70. **NEW SECTION.** 554.9408 RESTRICTIONS ON ASSIGNMENT OF PROMISSORY NOTES, HEALTH-CARE-INSURANCE RECEIVABLES, AND CERTAIN GENERAL INTANGIBLES INEFFECTIVE.

1. **TERM RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.**

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. **APPLICABILITY OF SUBSECTION 1 TO SALES OF CERTAIN RIGHTS TO PAYMENT.** 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. **LEGAL RESTRICTIONS ON ASSIGNMENT GENERALLY INEFFECTIVE.** 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. **LIMITATION ON INEFFECTIVENESS UNDER SUBSECTIONS 1 AND**

3. 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 Article 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.

5. **SECTION PREVAILS OVER SPECIFIED INCONSISTENT LAW.** This section prevails over any inconsistent provision of an existing or future statute, rule, or regulation of this state unless the provision is contained in a statute of this state, refers expressly to this section, and states that the provision prevails over this section.

Sec. 71. **NEW SECTION.** 554.9409 **RESTRICTIONS ON ASSIGNMENT OF LETTER-OF-CREDIT RIGHTS INEFFECTIVE.**

1. **TERM OR LAW RESTRICTING ASSIGNMENT GENERALLY INEFFECTIVE.** 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. LIMITATION ON INEFFECTIVENESS UNDER SUBSECTION 1. 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 Article 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.

PART 5  
FILING

A. FILING OFFICE -- CONTENTS AND  
EFFECTIVENESS OF FINANCING STATEMENT

Sec. 72. NEW SECTION. 554.9501 FILING OFFICE.

1. FILING OFFICES. 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:

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

(2) the financing statement is filed as a fixture filing and the collateral is goods that are or are to become fixtures; or

b. the office of the secretary of state 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. FILING OFFICE FOR TRANSMITTING UTILITIES. The office in which to file a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is the office of the secretary of state. The financing statement also constitutes a fixture filing as to the collateral indicated in the financing statement which is or is to become fixtures.

Sec. 73. NEW SECTION. 554.9502 CONTENTS OF FINANCING STATEMENT -- RECORD OF MORTGAGE AS FINANCING STATEMENT -- TIME OF FILING FINANCING STATEMENT.

1. SUFFICIENCY OF FINANCING STATEMENT. 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. REAL-PROPERTY-RELATED FINANCING STATEMENTS. Except as otherwise provided in section 554.9501, subsection 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 description of the real property to which the collateral is related sufficient to give constructive notice of a mortgage under the law of this state if the description were contained in a record of the mortgage of the real property; and

d. if the debtor does not have an interest of record in the real property, provide the name of a record owner.

3. RECORD OF MORTGAGE AS FINANCING STATEMENT. 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 duly recorded.

4. FILING BEFORE SECURITY AGREEMENT OR ATTACHMENT. A financing statement may be filed before a security agreement is made or a security interest otherwise attaches.

Sec. 74. NEW SECTION. 554.9503 NAME OF DEBTOR AND SECURED PARTY.

1. SUFFICIENCY OF DEBTOR'S NAME. 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:

(1) 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

(2) 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:

(1) if the debtor has a name, only if it provides the individual or organizational name of the debtor; and

(2) 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. ADDITIONAL DEBTOR-RELATED INFORMATION. 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, paragraph "d", subparagraph (2), names of partners, members, associates, or other persons comprising the debtor.

3. DEBTOR'S TRADE NAME INSUFFICIENT. A financing statement that provides only the debtor's trade name does not sufficiently provide the name of the debtor.

4. REPRESENTATIVE CAPACITY. 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. MULTIPLE DEBTORS AND SECURED PARTIES. A financing statement may provide the name of more than one debtor and the name of more than one secured party.

Sec. 75. NEW SECTION. 554.9504 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 554.9108; or
2. an indication that the financing statement covers all assets or all personal property.

Sec. 76. NEW SECTION. 554.9505 FILING AND COMPLIANCE WITH OTHER STATUTES AND TREATIES FOR CONSIGNMENTS, LEASES, OTHER BAILMENTS, AND OTHER TRANSACTIONS.

1. USE OF TERMS OTHER THAN DEBTOR AND SECURED PARTY. 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 section 554.9311, subsection 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. EFFECT OF FINANCING STATEMENT UNDER SUBSECTION 1. 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 section 554.9311, subsection 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.

Sec. 77. NEW SECTION. 554.9506 EFFECT OF ERRORS OR OMISSIONS.

1. MINOR ERRORS AND OMISSIONS. 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. FINANCING STATEMENT SERIOUSLY MISLEADING. Except as otherwise provided in subsection 3, a financing statement that fails sufficiently to provide the name of the debtor in accordance with section 554.9503, subsection 1, is seriously misleading.

3. FINANCING STATEMENT NOT SERIOUSLY MISLEADING. 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 section 554.9503, subsection 1, the name provided does not make the financing statement seriously misleading.

4. DEBTOR'S CORRECT NAME. For purposes of section 554.9508, subsection 2, the "debtor's correct name" in subsection 3 means the correct name of the new debtor.

Sec. 78. NEW SECTION. 554.9507 EFFECT OF CERTAIN EVENTS ON EFFECTIVENESS OF FINANCING STATEMENT.

1. DISPOSITION. 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. INFORMATION BECOMING SERIOUSLY MISLEADING. Except as otherwise provided in subsection 3 and section 554.9508, 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 554.9506.

3. CHANGE IN DEBTOR'S NAME. If a debtor so changes its name that a filed financing statement becomes seriously misleading under section 554.9506:

- 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.

**Sec. 79. NEW SECTION. 554.9508 EFFECTIVENESS OF FINANCING STATEMENT IF NEW DEBTOR BECOMES BOUND BY SECURITY AGREEMENT.**

1. **FINANCING STATEMENT NAMING ORIGINAL DEBTOR.** 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. **FINANCING STATEMENT BECOMING SERIOUSLY MISLEADING.** 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 554.9506:

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 section 554.9203, subsection 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 section 554.9203, subsection 4, unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

3. **WHEN SECTION NOT APPLICABLE.** This section does not apply to collateral as to which a filed financing statement remains effective against the new debtor under section 554.9507, subsection 1.

**Sec. 80. NEW SECTION. 554.9509 PERSONS ENTITLED TO FILE A RECORD.**

1. **PERSON ENTITLED TO FILE RECORD.** A person may file an initial financing statement, amendment that adds collateral covered by a financing statement, or amendment that adds a debtor to a financing statement only if:

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. **SECURITY AGREEMENT AS AUTHORIZATION.** 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 section 554.9315, subsection 1, paragraph "b", whether or not the security agreement expressly covers proceeds.

3. **ACQUISITION OF COLLATERAL AS AUTHORIZATION.** By acquiring collateral in which a security interest or agricultural lien continues under section 554.9315, subsection 1, paragraph "a", a debtor authorizes the filing of an initial financing statement, and an amendment, covering the collateral and property that becomes collateral under section 554.9315, subsection 1, paragraph "b".

4. **PERSON ENTITLED TO FILE CERTAIN AMENDMENTS.** 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 section 554.9513, subsection 1 or 3, the debtor authorizes the filing, and the termination statement indicates that the debtor authorized it to be filed.

5. MULTIPLE SECURED PARTIES OF RECORD. 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.

Sec. 81. NEW SECTION. 554.9510 EFFECTIVENESS OF FILED RECORD.

1. FILED RECORD EFFECTIVE IF AUTHORIZED. A filed record is effective only to the extent that it was filed by a person that may file it under section 554.9509.

2. AUTHORIZATION BY ONE SECURED PARTY OF RECORD. A record authorized by one secured party of record does not affect the financing statement with respect to another secured party of record.

3. CONTINUATION STATEMENT NOT TIMELY FILED. A continuation statement that is not filed within the six-month period prescribed by section 554.9515, subsection 4, is ineffective.

Sec. 82. NEW SECTION. 554.9511 SECURED PARTY OF RECORD.

1. SECURED PARTY OF RECORD. 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 section 554.9514, subsection 1, the assignee named in the initial financing statement is the secured party of record with respect to the financing statement.

2. AMENDMENT NAMING SECURED PARTY OF RECORD. 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 section 554.9514, subsection 2, the assignee named in the amendment is a secured party of record.

3. AMENDMENT DELETING SECURED PARTY OF RECORD. A person remains a secured party of record until the filing of an amendment of the financing statement which deletes the person.

Sec. 83. NEW SECTION. 554.9512 AMENDMENT OF FINANCING STATEMENT.

1. AMENDMENT OF INFORMATION IN FINANCING STATEMENT. Subject to section 554.9509, 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 section 554.9501, subsection 1, paragraph "a", provides the date and time that the initial financing statement was filed or recorded and the information specified in section 554.9502, subsection 2.

2. PERIOD OF EFFECTIVENESS NOT AFFECTED. Except as otherwise provided in section 554.9515, the filing of an amendment does not extend the period of effectiveness of the financing statement.

3. EFFECTIVENESS OF AMENDMENT ADDING COLLATERAL. 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. EFFECTIVENESS OF AMENDMENT ADDING DEBTOR. 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. CERTAIN AMENDMENTS INEFFECTIVE. 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.

Sec. 84. NEW SECTION. 554.9513 TERMINATION STATEMENT.

1. CONSUMER GOODS. A secured party shall cause the secured party of record for a financing statement to file a termination statement for the financing statement if the financing statement covers consumer goods and:

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. TIME FOR COMPLIANCE WITH SUBSECTION 1. 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 twenty days after the secured party receives an authenticated demand from a debtor.

3. OTHER COLLATERAL. In cases not governed by subsection 1, within twenty 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. EFFECT OF FILING TERMINATION STATEMENT. Except as otherwise provided in section 554.9510, 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 554.9510, for purposes of section 554.9519, subsection 7, section 554.9522, subsection 1, and section 554.9523, subsection 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.

Sec. 85. NEW SECTION. 554.9514 ASSIGNMENT OF POWERS OF SECURED PARTY OF RECORD.

1. ASSIGNMENT REFLECTED ON INITIAL FINANCING STATEMENT. 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. ASSIGNMENT OF FILED FINANCING STATEMENT. 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. ASSIGNMENT OF RECORD OF MORTGAGE. 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 section 554.9502, subsection 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 chapter.

Sec. 86. NEW SECTION. 554.9515 DURATION AND EFFECTIVENESS OF FINANCING STATEMENT -- EFFECT OF LAPSED FINANCING STATEMENT.

1. FIVE-YEAR EFFECTIVENESS. 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. PUBLIC-FINANCE OR MANUFACTURED-HOME TRANSACTION. 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 thirty 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. LAPSE AND CONTINUATION OF FINANCING STATEMENT. 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. WHEN CONTINUATION STATEMENT MAY BE FILED. A continuation statement may be filed only within six months before the expiration of the five-year period specified in subsection 1 or the thirty-year period specified in subsection 2, whichever is applicable.

5. EFFECT OF FILING CONTINUATION STATEMENT. Except as otherwise provided in section 554.9510, 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. TRANSMITTING UTILITY FINANCING STATEMENT. 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. RECORD OF MORTGAGE AS FINANCING STATEMENT. A record of a mortgage that is effective as a financing statement filed as a fixture filing under section 554.9502, subsection 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.

Sec. 87. NEW SECTION. 554.9516 WHAT CONSTITUTES FILING -- EFFECTIVENESS OF FILING.

1. WHAT CONSTITUTES FILING. 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. REFUSAL TO ACCEPT RECORD -- FILING DOES NOT OCCUR. 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:

- (1) in the case of an initial financing statement, the record does not provide a name for the debtor;

- (2) in the case of an amendment or correction statement, the record:

- (a) does not identify the initial financing statement as required by section 554.9512 or 554.9518, as applicable; or

(b) identifies an initial financing statement whose effectiveness has lapsed under section 554.9515;

(3) 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

(4) in the case of a record filed or recorded in the filing office described in section 554.9501, subsection 1, paragraph "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:

(1) provide a mailing address for the debtor;

(2) indicate whether the debtor is an individual or an organization; or

(3) 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 section 554.9514, subsection 1, or an amendment filed under section 554.9514, subsection 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 section 554.9515, subsection 4.

3. RULES APPLICABLE TO SUBSECTION 2. 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 554.9512, 554.9514, or 554.9518, is an initial financing statement.

4. REFUSAL TO ACCEPT RECORD -- RECORD EFFECTIVE AS FILED RECORD. 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.

Sec. 88. NEW SECTION. 554.9517 EFFECT OF INDEXING ERRORS.

The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

Sec. 89. NEW SECTION. 554.9518 CLAIM CONCERNING INACCURATE OR WRONGFULLY FILED RECORD.

1. CORRECTION STATEMENT. 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. SUFFICIENCY OF CORRECTION STATEMENT. A correction statement must:

a. identify the record to which it relates by:

(1) the file number assigned to the initial financing statement to which the record relates; and

(2) if the correction statement relates to a record filed or recorded in a filing office described in section 554.9501, subsection 1, paragraph "a", the date and time that the initial financing statement was filed or recorded and the information specified in section 554.9502, subsection 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. RECORD NOT AFFECTED BY CORRECTION STATEMENT. The filing of a correction statement does not affect the effectiveness of an initial financing statement or other filed record.

#### B. DUTIES AND OPERATION OF FILING OFFICE

Sec. 90. NEW SECTION. 554.9519 NUMBERING, MAINTAINING, AND INDEXING RECORDS -- COMMUNICATING INFORMATION PROVIDED IN RECORDS.

1. FILING OFFICE DUTIES. 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. FILE NUMBER. A file number assigned after January 1, 2002, 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. INDEXING -- GENERAL. 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. INDEXING -- REAL-PROPERTY-RELATED FINANCING STATEMENT. 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. INDEXING -- REAL-PROPERTY-RELATED ASSIGNMENT. 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 section 554.9514, subsection 1, or an amendment filed under section 554.9514, subsection 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.

6. RETRIEVAL AND ASSOCIATION CAPABILITY. The filing office shall maintain a capability:

a. to retrieve a record by the name of the debtor and:

- (1) if the filing office is described in section 554.9501, subsection 1, paragraph "a", by the file number assigned to the initial financing statement to which the record relates and the date and time that the record was filed or recorded; or

(2) if the filing office is described in section 554.9501, subsection 1, paragraph "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. REMOVAL OF DEBTOR'S NAME. 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 554.9515 with respect to all secured parties of record.

8. TIMELINESS OF FILING OFFICE PERFORMANCE. 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.

Sec. 91. NEW SECTION. 554.9520 ACCEPTANCE AND REFUSAL TO ACCEPT RECORD.

1. MANDATORY REFUSAL TO ACCEPT RECORD. A filing office shall refuse to accept a record for filing for a reason set forth in section 554.9516, subsection 2, and may refuse to accept a record for filing only for a reason set forth in section 554.9516, subsection 2.

2. COMMUNICATION CONCERNING REFUSAL. 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 no event more than two business days after the filing office receives the record.

3. WHEN FILED FINANCING STATEMENT EFFECTIVE. A filed financing statement satisfying section 554.9502, subsections 1 and 2, is effective, even if the filing office is required to refuse to accept it for filing under subsection 1. However,

section 554.9338 applies to a filed financing statement providing information described in section 554.9516, subsection 2, paragraph "e", which is incorrect at the time the financing statement is filed.

4. SEPARATE APPLICATION TO MULTIPLE DEBTORS. 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.

Sec. 92. NEW SECTION. 554.9521 UNIFORM FORM OF WRITTEN FINANCING STATEMENT AND AMENDMENT.

1. INITIAL FINANCING STATEMENT FORM. A filing office that accepts written records may not refuse to accept a written initial financing statement in a form and format approved by the secretary of state by rule adopted pursuant to chapter 17A except for a reason set forth in section 554.9516, subsection 2. The forms shall be consistent with those 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.

2. AMENDMENT FORM. A filing office that accepts written records may not refuse to accept a written record in a form and format approved by the secretary of state by rule adopted pursuant to chapter 17A except for a reason set forth in section 554.9516, subsection 2. The forms shall be consistent with those 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.

Sec. 93. NEW SECTION. 554.9522 MAINTENANCE AND DESTRUCTION OF RECORDS.

1. POST-LAPSE MAINTENANCE AND RETRIEVAL OF INFORMATION. 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 554.9515 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 section 554.9501, subsection 1, paragraph "a", by using the file number assigned to the initial financing statement to which the record relates and the date and time that the record was filed or recorded; or

b. if the record was filed in the filing office described in section 554.9501, subsection 1, paragraph "b", by using the file number assigned to the initial financing statement to which the record relates.

2. DESTRUCTION OF WRITTEN RECORDS. 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.

Sec. 94. NEW SECTION. 554.9523 INFORMATION FROM FILING OFFICE -- SALE OR LICENSE OF RECORDS.

1. ACKNOWLEDGMENT OF FILING WRITTEN RECORD. 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 section 554.9519, subsection 1, paragraph "b", 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 section 554.9519, subsection 1, paragraph "a", and the date and time of the filing of the record; and

b. send the copy to the person.

2. ACKNOWLEDGMENT OF FILING OTHER RECORD. 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 section 554.9519, subsection 1, paragraph "a"; and

c. the date and time of the filing of the record.

3. COMMUNICATION OF REQUESTED INFORMATION. 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:

(1) designates a particular debtor or, if the request so states, designates a particular debtor at the address specified in the request;

(2) has not lapsed under section 554.9515 with respect to all secured parties of record; and

(3) if the request so states, has lapsed under section 554.9515 and a record of which is maintained by the filing office under section 554.9522, subsection 1;

b. the date and time of filing of each financing statement; and

c. the information provided in each financing statement.

4. MEDIUM FOR COMMUNICATING INFORMATION. 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. TIMELINESS OF FILING OFFICE PERFORMANCE. 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 not later than two business days after the filing office receives the request.

6. PUBLIC AVAILABILITY OF RECORDS. At least weekly, the filing office 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, as provided in chapter 22.

Sec. 95. NEW SECTION. 554.9524 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.

Sec. 96. NEW SECTION. 554.9525 FEES.

1. INITIAL FINANCING STATEMENT OR OTHER RECORD -- GENERAL RULE. Except as otherwise provided in subsection 5, fees for services rendered by the filing office under this part must be set by rules adopted by the secretary of state's office for services for that office. The rule must set the fees for filing and indexing a record under this part on the following basis:

a. if a record presented for filing is communicated to the filing office in writing and consists of more than two pages, the fee for filing and indexing the record must be at least twice the amount of the fee for a record communicated in writing that consists of one or two pages; and

b. if the record is communicated by another medium authorized by the secretary of state's office, the fee must be no more than half the amount of the fee for a record communicated in writing that consists of one or two pages.

3. NUMBER OF NAMES. The number of names required to be indexed does not affect the amount of the fee in subsections 1 and 2.

4. RESPONSE TO INFORMATION REQUEST. A rule or ordinance adopted pursuant to subsection 1 must set the fee for responding to a request for information from the filing office, including for communicating whether there is on file any financing statement naming a particular debtor. A fee for

responding to a request communicated in writing must be not less than twice the amount of the fee for responding to a request communicated by another medium authorized by the office of secretary of state or the board of supervisors for the filing office where its filing office is located.

5. RECORD OF MORTGAGE. 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 section 554.9502, subsection 3. However, the recording and satisfaction fees that otherwise would be applicable to the record of the mortgage apply.

Sec. 97. NEW SECTION. 554.9526 FILING-OFFICE RULES.

1. ADOPTION OF FILING-OFFICE RULES. The office of secretary of state shall adopt and publish rules to implement this Article. The filing-office rules must be:

a. consistent with this Article; and

b. adopted and published in accordance with chapter 17A.

2. HARMONIZATION OF RULES. 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 office of secretary of state, so far as is consistent with the purposes, policies, and provisions of this Article, in adopting, amending, and repealing filing-office rules, shall:

a. consult with filing offices in other jurisdictions that enact substantially this part; and

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.

Sec. 98. NEW SECTION. 554.9527 DUTY TO REPORT.

The office of secretary of state shall report annually on or before December 31 to the governor on the operation of the filing office. The report must contain a statement of the extent to which:

1. 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
2. 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.

PART 6

DEFAULT

A. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

Sec. 99. NEW SECTION. 554.9601 RIGHTS AFTER DEFAULT -- JUDICIAL ENFORCEMENT -- CONSIGNOR OR BUYER OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES.

1. RIGHTS OF SECURED PARTY AFTER DEFAULT. After default, a secured party has the rights provided in this part and, except as otherwise provided in section 554.9602, 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. RIGHTS AND DUTIES OF SECURED PARTY IN POSSESSION OR CONTROL. A secured party in possession of collateral or control of collateral under section 554.9104, 554.9105, 554.9106, or 554.9107 has the rights and duties provided in section 554.9207.
3. RIGHTS CUMULATIVE -- SIMULTANEOUS EXERCISE. The rights under subsections 1 and 2 are cumulative and may be exercised simultaneously.

4. RIGHTS OF DEBTOR AND OBLIGOR. Except as otherwise provided in subsection 7 and section 554.9605, after default, a debtor and an obligor have the rights provided in this part and by agreement of the parties.

5. LIEN OF LEVY AFTER JUDGMENT. 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. EXECUTION SALE. 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 Article.

7. CONSIGNOR OR BUYER OF CERTAIN RIGHTS TO PAYMENT. Except as otherwise provided in section 554.9607, subsection 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.

Sec. 100. NEW SECTION. 554.9602 WAIVER AND VARIANCE OF RIGHTS AND DUTIES.

Except as otherwise provided in section 554.9624, 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. section 554.9207, subsection 2, paragraph "d", subparagraph (3), which deals with use and operation of the collateral by the secured party;
2. section 554.9210, which deals with requests for an accounting and requests concerning a list of collateral and statement of account;

3. section 554.9607, subsection 3, which deals with collection and enforcement of collateral;
4. section 554.9608, subsection 1, and section 554.9615, subsection 3, to the extent that they deal with application or payment of noncash proceeds of collection, enforcement, or disposition;
5. section 554.9608, subsection 1, and section 554.9615, subsection 4, to the extent that they require accounting for or payment of surplus proceeds of collateral;
6. section 554.9609 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. section 554.9610, subsection 2, and sections 554.9611, 554.9613, and 554.9614, which deal with disposition of collateral;
8. section 554.9615, subsection 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 554.9616, which deals with explanation of the calculation of a surplus or deficiency;
10. sections 554.9620, 554.9621, and 554.9622, which deal with acceptance of collateral in satisfaction of obligation;
11. section 554.9623, which deals with redemption of collateral;
12. section 554.9624, which deals with permissible waivers; and
13. sections 554.9625 and 554.9626, which deal with the secured party's liability for failure to comply with this Article.

Sec. 101. NEW SECTION. 554.9603 AGREEMENT ON STANDARDS CONCERNING RIGHTS AND DUTIES.

1. AGREED STANDARDS. 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 554.9602 if the standards are not manifestly unreasonable.

2. AGREED STANDARDS INAPPLICABLE TO BREACH OF PEACE. Subsection 1 does not apply to the duty under section 554.9609 to refrain from breaching the peace.

Sec. 102. NEW SECTION. 554.9604 PROCEDURE IF SECURITY AGREEMENT COVERS REAL PROPERTY OR FIXTURES.

1. ENFORCEMENT -- PERSONAL AND REAL PROPERTY. 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. ENFORCEMENT -- FIXTURES. 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. REMOVAL OF FIXTURES. 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. INJURY CAUSED BY REMOVAL. 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.

Sec. 103. NEW SECTION. 554.9605 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.

Sec. 104. NEW SECTION. 554.9606 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.

Sec. 105. NEW SECTION. 554.9607 COLLECTION AND ENFORCEMENT BY SECURED PARTY.

1. COLLECTION AND ENFORCEMENT GENERALLY. 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 554.9315;
  - 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 section 554.9104, subsection 1, paragraph "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 section 554.9104, subsection 1, paragraph "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. NONJUDICIAL ENFORCEMENT OF MORTGAGE. If necessary to enable a secured party to exercise under subsection 1, paragraph "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:
  - (1) a default has occurred; and
  - (2) the secured party is entitled to enforce the mortgage nonjudicially.

3. COMMERCIALLY REASONABLE COLLECTION AND ENFORCEMENT. 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. EXPENSES OF COLLECTION AND ENFORCEMENT. 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. DUTIES TO SECURED PARTY NOT AFFECTED. This section does not determine whether an account debtor, bank, or other person obligated on collateral owes a duty to a secured party.

Sec. 106. NEW SECTION. 554.9608 APPLICATION OF PROCEEDS OF COLLECTION OR ENFORCEMENT -- LIABILITY FOR DEFICIENCY AND RIGHT TO SURPLUS.

1. APPLICATION OF PROCEEDS, SURPLUS, AND DEFICIENCY IF OBLIGATION SECURED. If a security interest or agricultural lien secures payment or performance of an obligation, the following rules apply:

a. a secured party shall apply or pay over for application the cash proceeds of collection or enforcement under section 554.9607 in the following order to:

(1) 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;

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

(3) 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 paragraph "a", subparagraph (3).

c. a secured party need not apply or pay over for application noncash proceeds of collection and enforcement under section 554.9607 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. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO PAYMENT. 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.

Sec. 107. NEW SECTION. 554.9609 SECURED PARTY'S RIGHT TO TAKE POSSESSION AFTER DEFAULT.

1. POSSESSION -- RENDERING EQUIPMENT UNUSABLE -- DISPOSITION ON DEBTOR'S PREMISES. 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 554.9610.

2. JUDICIAL AND NONJUDICIAL PROCESS. 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. ASSEMBLY OF COLLATERAL. 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.

Sec. 108. NEW SECTION. 554.9610 DISPOSITION OF COLLATERAL AFTER DEFAULT.

1. DISPOSITION AFTER DEFAULT. 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. COMMERCIALY REASONABLE DISPOSITION. 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. PURCHASE BY SECURED PARTY. 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. WARRANTIES ON DISPOSITION. 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. DISCLAIMER OF WARRANTIES. 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. RECORD SUFFICIENT TO DISCLAIM WARRANTIES. 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.

Sec. 109. NEW SECTION. 554.9611 NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

1. NOTIFICATION DATE. 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. NOTIFICATION OF DISPOSITION REQUIRED. Except as otherwise provided in subsection 4, a secured party that disposes of collateral under section 554.9610 shall send to the persons specified in subsection 3 a reasonable authenticated notification of disposition.

3. PERSONS TO BE NOTIFIED. 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:
  - (1) 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;
  - (2) 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
  - (3) 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 section 554.9311, subsection 1.

4. SUBSECTION 2 INAPPLICABLE -- PERISHABLE COLLATERAL -- RECOGNIZED MARKET. 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. COMPLIANCE WITH SUBSECTION 3, PARAGRAPH "C", SUBPARAGRAPH (2). A secured party complies with the

requirement for notification prescribed by subsection 3, paragraph "c", subparagraph (2), if:

a. not later than twenty days or earlier than thirty 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, paragraph "c", subparagraph (2); and

b. before the notification date, the secured party:

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

(2) 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.

Sec. 110. NEW SECTION. 554.9612 TIMELINESS OF NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.

1. REASONABLE TIME IS QUESTION OF FACT. Except as otherwise provided in subsection 2, whether a notification is sent within a reasonable time is a question of fact.

2. TEN-DAY PERIOD SUFFICIENT IN NONCONSUMER TRANSACTION. 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.

Sec. 111. NEW SECTION. 554.9613 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 section 554.9614, subsection 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: \_\_\_\_\_

Time: \_\_\_\_\_

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 \_\_\_\_\_ dollars]. You may request an accounting by calling us at [telephone number].

Sec. 112. NEW SECTION. 554.9614 CONTENTS AND FORM OF NOTIFICATION BEFORE DISPOSITION OF COLLATERAL -- CONSUMER-GOODS TRANSACTION.

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

1. A notification of disposition must provide the following information:
  - a. the information specified in section 554.9613, subsection 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 554.9623 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 \_\_\_\_\_ 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 Article.

6. If a notification under this section is not in the form of subsection 3, law other than this Article determines the effect of including information not required by subsection 1.

Sec. 113. NEW SECTION. 554.9615 APPLICATION OF PROCEEDS OF DISPOSITION -- LIABILITY FOR DEFICIENCY AND RIGHT TO SURPLUS.

1. APPLICATION OF PROCEEDS. A secured party shall apply or pay over for application the cash proceeds of disposition under section 554.9610 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:

(1) 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

(2) 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. PROOF OF SUBORDINATE INTEREST. 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, paragraph "c".

3. APPLICATION OF NONCASH PROCEEDS. A secured party need not apply or pay over for application noncash proceeds of disposition under section 554.9610 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. SURPLUS OR DEFICIENCY IF OBLIGATION SECURED. 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, paragraph "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. NO SURPLUS OR DEFICIENCY IN SALES OF CERTAIN RIGHTS TO PAYMENT. 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. CALCULATION OF SURPLUS OR DEFICIENCY IN DISPOSITION TO PERSON RELATED TO SECURED PARTY. 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. CASH PROCEEDS RECEIVED BY JUNIOR SECURED PARTY. 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.

Sec. 114. NEW SECTION. 554.9616 EXPLANATION OF CALCULATION OF SURPLUS OR DEFICIENCY.

1. DEFINITIONS. In this section:

- a. "Explanation" means a writing that:
  - (1) states the amount of the surplus or deficiency;
  - (2) provides an explanation in accordance with subsection 3 of how the secured party calculated the surplus or deficiency;
  - (3) 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
  - (4) provides a telephone number or mailing address from which additional information concerning the transaction is available.
- b. "Request" means a record:
  - (1) authenticated by a debtor or consumer obligor;
  - (2) requesting that the recipient provide an explanation; and
  - (3) sent after disposition of the collateral under section 554.9610.

2. EXPLANATION OF CALCULATION. In a consumer-goods transaction in which the debtor is entitled to a surplus or a

consumer obligor is liable for a deficiency under section 554.9615, the secured party shall:

- a. send an explanation to the debtor or consumer obligor, as applicable, after the disposition and:
  - (1) 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
  - (2) within fourteen days after receipt of a request; or
- b. in the case of a consumer obligor who is liable for a deficiency, within fourteen days after receipt of a request, send to the consumer obligor a record waiving the secured party's right to a deficiency.
3. REQUIRED INFORMATION. To comply with subsection 1, paragraph "a", subparagraph (2), 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:
    - (1) if the secured party takes or receives possession of the collateral after default, not more than thirty-five days before the secured party takes or receives possession; or
    - (2) if the secured party takes or receives possession of the collateral before default or does not take possession of the collateral, not more than thirty-five 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 paragraph "a"; and

f. the amount of the surplus or deficiency.

4. SUBSTANTIAL COMPLIANCE. 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. CHARGES FOR RESPONSES. 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, paragraph "a". The secured party may require payment of a charge not exceeding twenty-five dollars for each additional response.

Sec. 115. NEW SECTION. 554.9617 RIGHTS OF TRANSFEREE OF COLLATERAL.

1. EFFECTS OF DISPOSITION. 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. RIGHTS OF GOOD-FAITH TRANSFEREE. 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 Article or the requirements of any judicial proceeding.

3. RIGHTS OF OTHER TRANSFEREE. 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.

Sec. 116. NEW SECTION. 554.9618 RIGHTS AND DUTIES OF CERTAIN SECONDARY OBLIGORS.

1. RIGHTS AND DUTIES OF SECONDARY OBLIGOR. 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. EFFECT OF ASSIGNMENT, TRANSFER, OR SUBROGATION. An assignment, transfer, or subrogation described in subsection 1:

a. is not a disposition of collateral under section 554.9610; and

b. relieves the secured party of further duties under this Article.

Sec. 117. NEW SECTION. 554.9619 TRANSFER OF RECORD OR LEGAL TITLE.

1. TRANSFER STATEMENT. 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. EFFECT OF TRANSFER STATEMENT. 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. TRANSFER NOT A DISPOSITION -- NO RELIEF OF SECURED PARTY'S DUTIES. 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 Article and does not of itself relieve the secured party of its duties under this Article.

Sec. 118. NEW SECTION. 554.9620 ACCEPTANCE OF COLLATERAL IN FULL OR PARTIAL SATISFACTION OF OBLIGATION -- COMPULSORY DISPOSITION OF COLLATERAL.

1. CONDITIONS TO ACCEPTANCE IN SATISFACTION. 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:

(1) a person to which the secured party was required to send a proposal under section 554.9621; or

(2) 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 554.9624.

2. PURPORTED ACCEPTANCE INEFFECTIVE. 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. DEBTOR'S CONSENT. 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:

(1) 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;

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

(3) does not receive a notification of objection authenticated by the debtor within twenty days after the proposal is sent.

4. EFFECTIVENESS OF NOTIFICATION. To be effective under subsection 1, paragraph "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 554.9621, within twenty days after notification was sent to that person; and

b. in other cases:

(1) within twenty days after the last notification was sent pursuant to section 554.9621; or

(2) if a notification was not sent, before the debtor consents to the acceptance under subsection 3.

5. MANDATORY DISPOSITION OF CONSUMER GOODS. A secured party that has taken possession of collateral shall dispose of the collateral pursuant to section 554.9610 within the time specified in subsection 6 if:

a. sixty percent of the cash price has been paid in the case of a purchase-money security interest in consumer goods; or

b. sixty percent 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. COMPLIANCE WITH MANDATORY DISPOSITION REQUIREMENT. To comply with subsection 5, the secured party shall dispose of the collateral:

a. within ninety 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. NO PARTIAL SATISFACTION IN CONSUMER TRANSACTION. In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

Sec. 119. NEW SECTION. 554.9621 NOTIFICATION OF PROPOSAL TO ACCEPT COLLATERAL.

1. PERSONS TO WHICH PROPOSAL TO BE SENT. A secured party that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send its proposal to:

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:

(1) identified the collateral;

(2) was indexed under the debtor's name as of that date; and

(3) 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 section 554.9311, subsection 1.

2. PROPOSAL TO BE SENT TO SECONDARY OBLIGOR IN PARTIAL SATISFACTION. 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.

Sec. 120. NEW SECTION. 554.9622 EFFECT OF ACCEPTANCE OF COLLATERAL.

1. EFFECT OF ACCEPTANCE. 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. DISCHARGE OF SUBORDINATE INTEREST NOTWITHSTANDING NONCOMPLIANCE. A subordinate interest is discharged or terminated under subsection 1, even if the secured party fails to comply with this Article.



Sec. 121. NEW SECTION. 554.9623 RIGHT TO REDEEM COLLATERAL.

1. PERSONS THAT MAY REDEEM. A debtor, any secondary obligor, or any other secured party or lienholder may redeem collateral.

2. REQUIREMENTS FOR REDEMPTION. 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 section 554.9615, subsection 1, paragraph "a".

3. WHEN REDEMPTION MAY OCCUR. A redemption may occur at any time before a secured party:

- a. has collected collateral under section 554.9607;
- b. has disposed of collateral or entered into a contract for its disposition under section 554.9610; or
- c. has accepted collateral in full or partial satisfaction of the obligation it secures under section 554.9622.

Sec. 122. NEW SECTION. 554.9624 WAIVER.

1. WAIVER OF DISPOSITION NOTIFICATION. A debtor or secondary obligor may waive the right to notification of disposition of collateral under section 554.9611 only by an agreement to that effect entered into and authenticated after default.

2. WAIVER OF MANDATORY DISPOSITION. A debtor may waive the right to require disposition of collateral under section 554.9620, subsection 5, only by an agreement to that effect entered into and authenticated after default.

3. WAIVER OF REDEMPTION RIGHT. Except in a consumer-goods transaction, a debtor or secondary obligor may waive the right to redeem collateral under section 554.9623 only by an agreement to that effect entered into and authenticated after default.

B. NONCOMPLIANCE WITH ARTICLE

Sec. 123. NEW SECTION. 554.9625 REMEDIES FOR SECURED PARTY'S FAILURE TO COMPLY WITH ARTICLE.

1. JUDICIAL ORDERS CONCERNING NONCOMPLIANCE. If it is established that a secured party is not proceeding in accordance with this Article, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

2. DAMAGES FOR NONCOMPLIANCE. Subject to subsections 3, 4, and 6, a person is liable for damages in the amount of any loss caused by a failure to comply with this Article. 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. PERSONS ENTITLED TO RECOVER DAMAGES -- STATUTORY DAMAGES IN CONSUMER-GOODS TRANSACTION. Except as otherwise provided in section 554.9628:

- 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 ten percent of the principal amount of the obligation or the time-price differential plus ten percent of the cash price.

4. RECOVERY WHEN DEFICIENCY ELIMINATED OR REDUCED. A debtor whose deficiency is eliminated under section 554.9626 may recover damages for the loss of any surplus. However, a debtor or secondary obligor whose deficiency is eliminated or reduced under section 554.9626 may not otherwise recover under subsection 2 for noncompliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

5. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SPECIFIED PROVISIONS. 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 five hundred dollars in each case from a person that:

- a. fails to comply with section 554.9208;
- b. fails to comply with section 554.9209;
- c. files a record that the person is not entitled to file under section 554.9509, subsection 1;
- d. fails to cause the secured party of record to file or send a termination statement as required by section 554.9513, subsection 1 or 3;
- e. fails to comply with section 554.9616, subsection 2, paragraph "a", and whose failure is part of a pattern, or consistent with a practice, of noncompliance; or
- f. fails to comply with section 554.9616, subsection 2, paragraph "b".

6. STATUTORY DAMAGES -- NONCOMPLIANCE WITH SECTION 554.9210. A debtor or consumer obligor may recover damages under subsection 2 and, in addition, five hundred dollars in each case from a person that, without reasonable cause, fails to comply with a request under section 554.9210. A recipient of a request under section 554.9210 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.

7. LIMITATION OF SECURITY INTEREST -- NONCOMPLIANCE WITH SECTION 554.9210. If a secured party fails to comply with a request regarding a list of collateral or a statement of account under section 554.9210, 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.

Sec. 124. NEW SECTION. 554.9626 ACTION IN WHICH DEFICIENCY OR SURPLUS IS IN ISSUE.

1. APPLICABLE RULES IF AMOUNT OF DEFICIENCY OR SURPLUS IN ISSUE. 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 554.9628, 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:

- (1) the proceeds of the collection, enforcement, disposition, or acceptance; or
- (2) 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 paragraph "c", subparagraph (2), 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 section 554.9615, subsection 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. NONCONSUMER TRANSACTIONS -- NO INFERENCE. 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.

Sec. 125. NEW SECTION. 554.9627 DETERMINATION OF WHETHER CONDUCT WAS COMMERCIALY REASONABLE.

1. GREATER AMOUNT OBTAINABLE UNDER OTHER CIRCUMSTANCES -- NO PRECLUSION OF COMMERCIAL REASONABLENESS. 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. DISPOSITIONS THAT ARE COMMERCIALY REASONABLE. 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. APPROVAL BY COURT OR ON BEHALF OF CREDITORS. 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 NOT NECESSARY -- ABSENCE OF APPROVAL HAS NO EFFECT. 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.

Sec. 126. NEW SECTION. 554.9628 NONLIABILITY AND LIMITATION ON LIABILITY OF SECURED PARTY -- LIABILITY OF SECONDARY OBLIGOR.

1. LIMITATION OF LIABILITY OF SECURED PARTY FOR NONCOMPLIANCE WITH ARTICLE. 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 Article; and
- b. the secured party's failure to comply with this Article does not affect the liability of the person for a deficiency.

2. LIMITATION OF LIABILITY BASED ON STATUS AS SECURED PARTY. 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:
  - (1) that the person is a debtor or obligor;
  - (2) the identity of the person; and
  - (3) 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:
  - (1) that the person is a debtor; and
  - (2) the identity of the person.

3. LIMITATION OF LIABILITY IF REASONABLE BELIEF THAT TRANSACTION NOT A CONSUMER-GOODS TRANSACTION OR CONSUMER TRANSACTION. 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. **LIMITATION OF LIABILITY FOR STATUTORY DAMAGES.** A secured party is not liable to any person under section 554.9625, subsection 3, paragraph "b", for its failure to comply with section 554.9616.
5. **LIMITATION OF MULTIPLE LIABILITY FOR STATUTORY DAMAGES.** A secured party is not liable under section 554.9625, subsection 3, paragraph "b", more than once with respect to any one secured obligation.

PART 7  
TRANSITION

Sec. 127. **NEW SECTION.** 554.9701 EFFECTIVE DATE.

This Article takes effect on July 1, 2001.

Sec. 128. **NEW SECTION.** 554.9702 SAVINGS CLAUSE.

1. **PRE-EFFECTIVE-DATE TRANSACTIONS OR LIENS.** 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. **CONTINUING VALIDITY.** Except as otherwise provided in subsection 3 and sections 554.9703, 554.9704, 554.9705, 554.9706, 554.9707, 554.9708, and 554.9709:
  - a. transactions and liens that were not governed by former Article 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. **PRE-EFFECTIVE-DATE PROCEEDINGS.** This Act does not affect an action, case, or proceeding commenced before this Act takes effect.

Sec. 129. **NEW SECTION.** 554.9703 SECURITY INTEREST PERFECTED BEFORE EFFECTIVE DATE.

1. **CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION REQUIREMENTS SATISFIED.** 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. **CONTINUING PRIORITY OVER LIEN CREDITOR -- PERFECTION REQUIREMENTS NOT SATISFIED.** Except as otherwise provided in section 554.9705, 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 554.9203 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.

Sec. 130. **NEW SECTION.** 554.9704 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 554.9203 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.

Sec. 131. NEW SECTION. 554.9705 EFFECTIVENESS OF ACTION TAKEN BEFORE EFFECTIVE DATE.

1. PRE-EFFECTIVE-DATE ACTION -- ONE-YEAR PERFECTION PERIOD UNLESS REPERFECTED. 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. PRE-EFFECTIVE-DATE FILING. 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. PRE-EFFECTIVE-DATE FILING IN JURISDICTION FORMERLY GOVERNING PERFECTION. 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 554.9103. However, except as otherwise provided in subsections 4 and 5 and section 554.9706, 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. CONTINUATION STATEMENT. 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. APPLICATION OF SUBSECTION 3, PARAGRAPH "b", TO TRANSMITTING UTILITY FINANCING STATEMENT. Subsection 3, paragraph "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 554.9103 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. APPLICATION OF PART 5. 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.

Sec. 132. NEW SECTION. 554.9706 WHEN INITIAL FINANCING STATEMENT SUPPICES TO CONTINUE EFFECTIVENESS OF FINANCING STATEMENT.

1. INITIAL FINANCING STATEMENT IN LIEU OF CONTINUATION STATEMENT. The filing of an initial financing statement in the office specified in section 554.9501 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. PERIOD OF CONTINUED EFFECTIVENESS. 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 554.9403 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 554.9515 with respect to an initial financing statement.

3. REQUIREMENTS FOR INITIAL FINANCING STATEMENT UNDER SUBSECTION 1. 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.

Sec. 133. **NEW SECTION. 554.9707 AMENDMENT OF PRE-EFFECTIVE-DATE FINANCING STATEMENT.**

1. **PRE-EFFECTIVE-DATE FINANCING STATEMENT.** In this section, "pre-effective-date financing statement" means a financing statement filed before this Act takes effect.

2. **APPLICABLE LAW.** 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 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. **METHOD OF AMENDING -- GENERAL RULE.** 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 554.9501; or

b. An amendment is filed in the office specified in section 554.9501 concurrently with, or after the filing in that office of, an initial financing statement that satisfies section 554.9706, subsection 3; or

c. An initial financing statement that provides the information as amended and satisfies section 554.9706, subsection 3 is filed in the office specified in section 554.9501.

4. **METHOD OF AMENDING -- CONTINUATION.** 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 section 554.9705, subsections 4 and 6 or section 554.9706.

5. **METHOD OF AMENDING -- ADDITIONAL TERMINATION RULE.** 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 section 554.9706, subsection 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.

Sec. 134. NEW SECTION. 554.9708 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.

Sec. 135. NEW SECTION. 554.9709 PRIORITY.

1. LAW GOVERNING PRIORITY. 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 Article 9 determines priority.

2. PRIORITY IF SECURITY INTEREST BECOMES ENFORCEABLE UNDER SECTION 554.9203. For purposes of section 554.9322, subsection 1, the priority of a security interest that becomes enforceable under section 554.9203 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 Article 9. This subsection does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement.

Sec. 136. NEW SECTION. 554.9710 "FORMER" DEFINED.

References in this part to "former Article 9" or a former section are to that Article or section as in effect immediately before this Act takes effect.

DIVISION II

CONFORMING AMENDMENTS TO CODE CHAPTER 554

Sec. 137. Section 554.1105, subsection 2, Code 1999, is amended to read as follows:

2. Where one of the following provisions of this chapter 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:

Rights of creditors against sold goods. Section 554.2402.

Applicability of the Article on Bank Deposits and Collections. Section 554.4102.

Letters of Credit. Section 554.5116.

Applicability of the Article on Investment Securities. Section 554.8110.

~~Perfection provisions of the Article on Secured Transactions. Section 554.9103.~~

Law governing perfection, the effect of perfection or nonperfection, and the priority of security interests and agricultural liens. Sections 554.9301, 554.9302, 554.9303, 554.9304, 554.9305, 554.9306, and 554.9307.

Governing law in the Article on Funds Transfers. Section 554.12507.

Applicability of the Article on Leases. Sections 554.13105 and 554.13106.

Sec. 138. Section 554.1201, subsections 9 and 32, Code 1999, are amended to read as follows:

9. "Buyer in ordinary course of business" means a person who that buys goods in good faith, and without knowledge that ~~the sale to that person 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,~~ 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 shall be deemed 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 pre-existing 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 article 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.

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

Sec. 139. Section 554.1201, subsection 37, paragraph a, Code 1999, is amended to read as follows:

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 (section 554.2401) 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 Article 9. The special property interest of a buyer of goods on identification of those goods to a contract for sale under section 554.2401 is not a "security interest", but a buyer may also acquire a "security interest" by complying with Article 9. ~~Unless a consignment is intended as security, reservation of title~~

~~thereunder is not a "security interest", but a consignment in any event is subject to the provisions on consignment sales (section 554.2326);~~ Except as otherwise provided in section 554.2505, the right of a seller or lessor of goods under Article 2 or 13 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 Article 9. The retention or reservation of title by a seller of goods notwithstanding shipment or delivery to the buyer (section 554.2401) is limited in effect to a reservation of a "security interest".

Sec. 140. Section 554.2103, subsection 3, Code 1999, is amended to read as follows:

3. The following definitions in other Articles apply to this Article:

"Check"	Section 554.3104
"Consignee"	Section 554.7102
"Consignor"	Section 554.7102
"Consumer goods"	Section 554.9102
"Dishonor"	Section 554.3502
"Draft"	Section 554.3104

Sec. 141. Section 554.2210, subsection 2, Code 1999, is amended to read as follows:

2. ~~Unless~~ Except as otherwise provided in section 554.9406, 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 of risk imposed on the other party by the contract, or impair materially the other party's 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 the assignor's entire obligation can be assigned despite agreement otherwise.

Sec. 142. Section 554.2210, Code 1999, is amended by adding the following new subsection, and renumbering subsequent subsections:



NEW SUBSECTION. 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 (i) 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 (ii) 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.

Sec. 143. Section 554.2326, Code 1999, is amended to read as follows:

554.2326 SALE ON APPROVAL AND SALE OR RETURN --  
~~CONSIGNMENT-SALES-AND~~ 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 that person 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 creditors of the person conducting the business to be substantially engaged in selling the goods of others, or~~

~~c. complies with the filing provisions of the Article on Secured Transactions (Article 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 Article (section 554.2201) and as contradicting the sale aspect of the contract within the provisions of this Article on parol or extrinsic evidence (section 554.2202).

Sec. 144. Section 554.2502, Code 1999, is amended to read as follows:

554.2502 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 the buyer 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, paragraph "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 the buyer's special property has been made by the buyer, the buyer acquires the right to recover the goods only if they conform to the contract for sale.

Sec. 145. Section 554.2716, subsection 3, Code 1999, is amended to read as follows:

3. The buyer has a right of replevin for goods identified to the contract if after reasonable effort the buyer 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.

Sec. 146. Section 554.4210, subsection 3, paragraph a, Code 1999, is amended to read as follows:

a. no security agreement is necessary to make the security interest enforceable (section 554.9203, subsection ~~1~~ 2, paragraph "a" "c", subparagraph (1));

Sec. 147. NEW SECTION. 554.5118 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 Article 9, but:

a. a security agreement is not necessary to make the security interest enforceable under section 554.9203, subsection 2, paragraph "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.

Sec. 148. Section 554.7503, subsection 1, paragraph a, Code 1999, is amended to read as follows:

a. delivered or entrusted them or any document of title covering them to the bailor or the bailor's nominee with actual or apparent authority to ship, store or sell or with power to obtain delivery under this Article (section 554.7403) or with power of disposition under this chapter (sections 554.2403 and ~~554-9307~~ 554.9320) or other statute or rule of law; nor

Sec. 149. Section 554.8103, subsection 6, Code 1999, is amended to read as follows:

6. A commodity contract, as defined in section ~~554-9115~~ 554.9102, subsection 1, paragraph "o", is not a security or a financial asset.

Sec. 150. Section 554.8106, subsections 4 and 6, Code 1999, are amended to read as follows:

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.

6. A purchaser who has satisfied the requirements of subsection 3, ~~paragraph "b"~~, or subsection 4, ~~paragraph "b"~~, has control, even if the registered owner in the case of subsection 3, paragraph "b", or the entitlement holder in the case of subsection 4, ~~paragraph "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.

Sec. 151. Section 554.8110, subsection 5, paragraphs a through d, Code 1999, are amended to read as follows:

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 Article, or this [Act], that jurisdiction is the securities intermediary's jurisdiction.~~

b. if paragraph "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.

c. if neither paragraph "a" nor paragraph "b" applies and an agreement between the securities intermediary and its entitlement holder does not specify the governing law as provided in paragraph "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.

~~e. d. if an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in paragraph "a" or "b" none of the preceding paragraphs applies, 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 paragraph "a" or "b" and an account statement does not identify an office serving the entitlement holder's account as provided in paragraph "e" none of the preceding paragraphs applies, the securities intermediary's jurisdiction is the jurisdiction in which is located the chief executive office of the securities intermediary is located.

Sec. 152. Section 554.8301, subsection 1, paragraph c, Code 1999, is amended to read as follows:

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.

Sec. 153. Section 554.8302, subsection 1, Code 1999, is amended to read as follows:

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.

Sec. 154. Section 554.8510, Code 1999, is amended to read as follows:

554.8510 RIGHTS OF PURCHASER OF SECURITY ENTITLEMENT FROM ENTITLEMENT HOLDER.

1. An In a case not covered by the priority rules in Article 9 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 554.8502, 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 Article 9, 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 section 554.8106, subsection 4, paragraph "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 section 554.8106, subsection 4, paragraph "b";

c. if the purchaser obtained control through another person under section 554.8106, subsection 4, paragraph "c", the time on which priority would be based under this subsection if the other person were the secured party; or

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

Sec. 155. Section 554.11108, Code 1999, is amended to read as follows:

554.11108 PRESUMPTION THAT RULE OF LAW CONTINUES UNCHANGED.

Unless a change in law has clearly been made, the provisions of this chapter as amended shall be deemed declaratory of the meaning of this chapter prior to amendment. ~~The first sentence of section 554.9402, subsection 7, shall be deemed to be a change in law.~~

Sec. 156. Section 554.13103, subsection 3, Code 1999, is amended to read as follows:

3. The following definitions in other Articles apply to this Article:

"Account"	Section 554-9106 <u>554.9102,</u> subsection 1, paragraph "b"
"Between merchants"	Section 554.2104, subsection 3
"Buyer"	Section 554.2103, subsection 1, paragraph "a"
"Chattel paper"	Section 554-9105 <u>554.9102,</u> subsection 1, paragraph "b" "k"
"Consumer goods"	Section 554-9109 <u>554.9102,</u> subsection 1, paragraph "w"
"Document"	Section 554-9105 <u>554.9102,</u> subsection 1, paragraph "f" "ad"
"Entrusting"	Section 554.2403, subsection 3
<del>"General intangibles"</del>	<del>Section 554-9106</del>
"General intangible"	Section 554.9102, subsection 1, paragraph "ap"
"Good faith"	Section 554.2103, subsection 1, paragraph "b"
"Instrument"	Section 554-9105 <u>554.9102,</u> subsection 1, paragraph "i" "au"
"Merchant"	Section 554.2104, subsection 1

"Mortgage"	Section 554.9105 <u>554.9102</u> , subsection 1, paragraph "j" " <u>bc</u> "
"Pursuant to commitment"	Section 554.9105 <u>554.9102</u> , subsection 1, paragraph "k" " <u>bq</u> "
"Receipt"	Section 554.2103, subsection 1, paragraph "c"
"Sale"	Section 554.2106, subsection 1
"Sale on approval"	Section 554.2326
"Sale or return"	Section 554.2326
"Seller"	Section 554.2103, subsection 1, paragraph "d"

Sec. 157. Section 554.13303, subsections 1 through 5, Code 1999, are amended to read as follows:

1. As used in this section, "creation of a security interest" includes the sale of a lease contract that is subject to Article 9, Secured Transactions, by reason of section 554.9102 554.9109, subsection 1, paragraph "b" "c".

2. Except as provided in subsections subsection 3 and 4 and section 554.9407, a provision in a lease agreement which (i) 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 (ii) 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 which (i) 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 (ii) 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 (i) the lessor's interest under the lease contract or (ii) 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 which (i) 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 (ii) 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 554.9407:

a. if a transfer is made which 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 554.13501, subsection 2;

b. if paragraph "a" is not applicable and if a transfer is made that (i) is prohibited under a lease agreement or (ii) 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, (i) 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 (ii) a court having jurisdiction may grant other appropriate relief, including cancellation of the lease contract or an injunction against the transfer.

Sec. 158. Section 554.13307, subsections 1 through 4, Code 1999, are amended by striking the subsections and inserting in lieu thereof the following:

1. Except as otherwise provided in section 554.13306, a creditor of a lessee takes subject to the lease contract.
2. Except as otherwise provided in subsection 3 and in sections 554.13306 and 554.13308, a creditor of a lessor takes subject to the lease contract unless the creditor holds a lien that attached to the goods before the lease contract became enforceable.
3. Except as otherwise provided in sections 554.9317, 554.9321, and 554.9323, a lessee takes a leasehold interest subject to a security interest held by a creditor of the lessor.

Sec. 159. Section 554.13309, subsection 1, paragraph b, Code 1999, is amended to read as follows:

b. a "fixture filing" is the filing, in the office where a record of a mortgage on the real estate would be filed or recorded, of a financing statement covering goods that are or are to become fixtures and conforming to the requirements of section ~~554-9402~~ 554.9502, ~~subsection-5 subsections 1 and 2;~~

DIVISION III

AMENDMENTS IN OTHER CODE CHAPTERS

Sec. 160. Section 15E.91, subsection 7, Code 1999, is amended to read as follows:

7. A copy of each pledge agreement by or to the corporation, including without limitation each bond resolution, indenture of trust, or similar agreement, or any revisions or supplements to it shall be filed with the

secretary of state and no further filing or other action under ~~sections-554-9101 to-554-9507~~ chapter 554, article 9 of the uniform commercial code, or any other law of the state is required to perfect the security interest in the collateral or any additions to it or substitutions for it, and the lien and trust created are binding from and after the time made against all parties having claims of any kind in tort, contract, or otherwise against the pledgor.

Sec. 161. Section 16.26, subsection 7, Code 1999, is amended to read as follows:

7. A copy of each pledge agreement by or to the authority, including without limitation each bond resolution, indenture of trust or similar agreement, or any revisions or supplements to it shall be filed with the secretary of state and no further filing or other action under ~~sections-554-9101 to 554-9507~~ chapter 554, article 9 of the uniform commercial code, or any other law of the state shall be required to perfect the security interest in the collateral or any additions to it or substitutions for it, and the lien and trust so created shall be binding from and after the time made against all parties having claims of any kind in tort, contract, or otherwise against the pledgor.

Sec. 162. Section 16A.9, subsection 7, Code 1999, is amended to read as follows:

7. A copy of each pledge agreement by or to the authority, including without limitation each obligation resolution, indenture of trust or similar agreement, or any revisions or supplements to it shall be filed with the secretary of state and no further filing or other action under ~~sections-554-9101 to-554-9507~~ chapter 554, article 9 of the uniform commercial code, or any other law of the state shall be required to perfect the security interest in the collateral or any additions to it or substitutions for it, and the lien and trust so created shall be binding from and after the time made against all parties having claims of any kind in tort, contract, or otherwise against the pledgor.

Sec. 163. Section 203.12A, subsections 2, 7, and 9, Code 1999, are amended to read as follows:

2. "Grain dealer assets" includes proceeds received or due a grain dealer upon the sale, including exchange, collection, or other disposition, of grain sold by the grain dealer. As used in this section, "proceeds" means noncash and cash proceeds as provided defined in section 554-9306 554.9102. "Grain dealer assets" also includes any other funds or property of the grain dealer which can be directly traced as being from the sale of grain by the grain dealer, or which were utilized in the business operation of the grain dealer. A court, upon petition by an affected party, may order that claimed grain dealer assets are not grain dealer assets as defined in this section. The burden of proof shall be upon the petitioner to establish that the assets are not grain dealer assets as defined in this section.

7. A lien statement filed under this section shall be a security interest perfected under chapter 554 and subject to the same priority as provided under section 554-9312 554.9322.

9. The board may enforce the lien in the manner provided in chapter 554, article 9, part 5 6, for the enforcement of security interests. If, upon enforcement of the lien, the lien amount is satisfied in full without exhaustion of the grain dealer assets, the remaining assets shall be returned to the grain dealer or, if there are competing claims to those remaining assets by other creditors, shall place those assets in the custody of the district court and implead the known creditors.

For purposes of enforcement of the lien, the board is deemed to be the secured party and the grain dealer is deemed to be the debtor, and each has the respective rights and duties of a secured party and a debtor as provided in chapter 554, article 9, part 5 6. If a right or duty under chapter 554, article 9, part 5 6, is contingent upon the existence of express language in a security agreement, or may be waived by express language in a security agreement, the requisite

language is deemed not to exist for purposes of enforcement of the lien created by this section.

Sec. 164. Section 203C.12A, subsections 2, 7, and 9, Code 1999, are amended to read as follows:

2. "Warehouse operator assets" includes proceeds received or due a warehouse operator upon the sale, including exchange, collection, or other disposition, of grain sold by the warehouse operator. As used in this section, "proceeds" means noncash and cash proceeds as provided defined in section 554-9306 554.9102. "Warehouse operator assets" also includes storage payments received or due to a warehouse operator, grain owned by the warehouse operator, and any other funds or property of the warehouse operator which can be directly traced as being from the sale of grain by the warehouse operator, or which were utilized in the business operation of the warehouse operator. A court, upon petition by an affected party, may order that claimed warehouse operator assets are not warehouse operator assets as defined in this section. The burden of proof shall be upon the petitioner to establish that the assets are not warehouse operator assets as defined in this section.

7. A lien statement filed under this section shall be a security interest perfected under chapter 554 and subject to the same priority as provided under section 554-9312 554.9322.

9. The Iowa grain indemnity fund board may enforce the lien in the manner provided in chapter 554, article 9, part 5 6, for the enforcement of security interests. If, upon enforcement of the lien, the lien amount is satisfied in full without exhaustion of the warehouse operator assets, the remaining assets shall be returned to the warehouse operator or, if there are competing claims to those remaining assets by other creditors, those assets shall be placed in the custody of the district court and the known creditors impleaded.

For purposes of enforcement of the lien, the board is deemed to be the secured party and the warehouse operator is deemed to be the debtor, and each has the respective rights

and duties of a secured party and a debtor as provided in chapter 554, article 9, part 5 6. If a right or duty under chapter 554, article 9, part 5 6, is contingent upon the existence of express language in a security agreement, or may be waived by express language in a security agreement, the requisite language is deemed not to exist for purposes of enforcement of the lien created by this section.

Sec. 165. Section 321.47, unnumbered paragraph 2, Code Supplement 1999, is amended to read as follows:

The persons entitled under the laws of descent and distribution of an intestate's property to the possession and ownership of a vehicle owned in whole or in part by a decedent, upon filing an affidavit stating the name and date of death of the decedent, the right to possession and ownership of the persons filing the affidavit, and that there has been no administration of the decedent's estate, which instrument shall also contain an agreement to indemnify creditors of the decedent who would be entitled to levy execution upon the motor vehicle to the extent of the value of the motor vehicle, are entitled upon fulfilling the other requirements of this chapter, to the issuance of a registration card for the interest of the decedent in the vehicle and a certificate of title to it. If a decedent dies testate, and either the will is not probated or is admitted to probate without administration, the persons entitled to the possession and ownership of a vehicle owned in whole or in part by the decedent may file an affidavit, and upon fulfilling the other requirements of this chapter, are entitled to the issuance of a registration card for the interest of the decedent in the vehicle and a certificate of title to the vehicle. The affidavit shall contain the same information and indemnity agreement as is required in cases of intestacy pursuant to this section. No A requirement of chapter 450 or 451 shall not be considered satisfied by the filing of the affidavit provided for in this section. If, from the records in the office of the county treasurer, there

appear to be any liens on the vehicle, the certificate of title shall contain a statement of the liens unless the application is accompanied by proper evidence of their satisfaction or extinction. Evidence of extinction may consist of, but is not limited to, an affidavit of the applicant stating that a security interest was foreclosed as provided in chapter 554, article 9, part 5 6.

Sec. 166. Section 321.50, subsection 1, Code Supplement 1999, is amended to read as follows:

1. A security interest in a vehicle subject to registration under the laws of this state or a mobile home or manufactured housing, except trailers whose empty weight is two thousand pounds or less, and except new or used vehicles held by a dealer or manufacturer as inventory for sale, is perfected by the delivery to the county treasurer of the county where the certificate of title was issued or, in the case of a new certificate, to the county treasurer where the certificate will be issued, of an application for certificate of title which lists the security interest, or an application for notation of security interest signed by the owner, or by one owner of a vehicle owned jointly by more than one person, or a certificate of title from another jurisdiction which shows the security interest, and a fee of five dollars for each security interest shown. If the owner or secured party is in possession of the certificate of title, it must also be delivered at this time in order to perfect the security interest. If a vehicle is subject to a security interest when brought into this state, the validity of the security interest and the date of perfection is determined by section 554-9103 554.9303. Delivery as provided in this subsection is an indication of a security interest on a certificate of title for purposes of chapter 554.

Sec. 167. Section 322.21, Code Supplement 1999, is amended to read as follows:

322.21 REMAINING BALANCE ON TRADE VEHICLE.



The extension of credit by a retail seller to a retail buyer, pursuant to a retail installment contract, of the amount actually paid or to be paid by the retail seller to discharge a purchase money security interest, as defined provided in section ~~554.9107~~ 554.9103, on a motor vehicle traded in by the retail buyer shall not subject the retail seller to the provisions of chapter 536 or 536A.

Sec. 168. Section 331.602, subsection 28, Code Supplement 1999, is amended to read as follows:

28. Carry out duties relating to the filing of financing statements or instruments as provided in ~~sections-554-9401-to-554-9400~~ chapter 554, article 9, part 5.

Sec. 169. Section 331.609, subsection 3, paragraph a, subparagraph (1), Code 1999, is amended to read as follows:

(1) If the filing officer is the secretary of state, the secretary shall cause the notice to be marked, held, and indexed in accordance with section ~~554.9403, subsection-4~~ 554.9519, as if the notice were a financing statement ~~within the meaning of that section~~ as provided in chapter 554, article 9, part 5.

Sec. 170. Section 461A.6, Code 1999, is amended to read as follows:

461A.6 COSTS -- LIEN.

The cost of such removal shall be paid by the owner of said pier, wharf, sluice, piling, wall, fence, obstruction, erection or building, and the state shall have a lien upon the property removed for such costs. Said costs shall be payable at the time of removal and such lien may be enforced and foreclosed, as provided for the foreclosure of security interests in Uniform Commercial Code, chapter 554, article 9, part 5 6.

Sec. 171. Section 537.5103, subsections 2 and 3, Code 1999, are amended to read as follows:

2. If the seller repossesses or voluntarily accepts surrender either of goods which were the subject of the sale and in which the seller has a security interest, or of goods

which were not the subject of the sale but in which the seller has a security interest to secure a debt arising from a sale of goods or services or a combined sale of goods and services, the seller's duty to dispose of the collateral is governed by the provisions on disposition of collateral in ~~sections 554-9501-to-554-9507~~ chapter 554, article 9, part 6.

3. If a lender takes possession or voluntarily accepts surrender of goods in which the lender has a security interest to secure a debt arising from a consumer loan, the lender's duty to dispose of the collateral is governed by the provisions on disposition of collateral in ~~sections-554-9501-to-554-9507~~ chapter 554, article 9, part 6.

Sec. 172. Section 539.1, Code 1999, is amended to read as follows:

539.1 ASSIGNMENT OF NONNEGOTIABLE INSTRUMENTS.

Bonds, due bills, and all instruments by which the maker promises to pay another, without words of negotiability, a sum of money, or by which the maker promises to pay a sum of money in property or labor, or to pay or deliver any property or labor, or acknowledges any money, labor, or property to be due, are assignable by endorsement on the instrument, or by other writing. The assignee, including a person who takes assignment for collection in the regular course of business, has a right of action on them in the assignee's own name, subject to any defense or counterclaim which the maker or debtor had against an assignor of the instrument before notice of the assignment. In case of conflict between this section and ~~sections section 554.5112, 554.5113, 554.5114, and 554-9318, sections 554.9404, or 554.9405, section 554.5112, 554.5113, 554.5114, and-554-9318-control~~ 554.9404, or 554.9405 controls.

Sec. 173. Section 539.2, Code 1999, is amended to read as follows:

539.2 ASSIGNMENT PROHIBITED BY INSTRUMENT.

When by the terms of an instrument its assignment is prohibited, an assignment thereof shall nevertheless be valid,

but the maker may make use of any defense or counterclaim against the assignee which the maker may have against any assignor thereof before notice of such assignment is given to the maker in writing. In case of conflict between this section and sections section 554.5112, 554.5113, 554.5114, and 554-93107- sections 554.9404, or 554.9405, section 554.5112, 554.5113, 554.5114, and-554-9310-control 554.9404, or 554.9405 controls.

Sec. 174. Section 539.3, Code 1999, is amended to read as follows:

539.3 ASSIGNMENT OF OPEN ACCOUNT.

An open account of sums of money due on contract may be assigned. The assignee, including a person who takes assignment for collection in the regular course of business, has a right of action on the account in the assignee's own name, subject to the defenses and counterclaims allowed against the instruments mentioned in section 539.2, before notice of the assignment is given to the debtor in writing by the assignee. In case of conflict Uniform Commercial Code, section 554-9310 554.9404 or 554.9405, controls.

Sec. 175. Section 554B.1, Code 1999, is amended to read as follows:

554B.1 DEFINITIONS.

As used in this chapter "transmitting utility" has the same meaning as defined in the Uniform Commercial Code, section 554-91057-subsection-17-paragraph-"n" 554.9102, subsection 1. Security interests filed pursuant to this chapter prior to January 1, 1975, which have not been terminated, are deemed to be filed in accordance with section 554-9401 554.9501, subsection 5 2.

Sec. 176. Section 570.1, Code 1999, is amended to read as follows:

570.1 LIEN CREATED -- PROPERTY SUBJECTED.

1. A landlord shall have a lien for the rent upon all crops grown upon the leased premises, and upon any other personal property of the tenant which has been used or kept

thereon during the term and which is not exempt from execution.

2. In order to perfect a lien in farm products as defined in section 554.9102, which is created under this section, a landlord must file a financing statement as required by section 554.9308, subsection 2. Except as provided in chapters 571, 572, 579A, 579B, and 581, a perfected lien in the farm products has priority over a conflicting security interest or lien, including a security interest or lien that was perfected prior to the creation of the lien under this section, if the lien created in this section is perfected on either of the following dates:

a. Prior to July 1, 2001.

b. When the debtor takes possession of the leased premises or within twenty days after the debtor takes possession of the leased premises.

A financing statement filed to perfect a lien in the farm products must include a statement that it is filed for the purpose of perfecting a landlord's lien. Within twenty days after a landlord who has filed a financing statement receives a written demand, authenticated as provided in Article 9 of chapter 554, from a tenant, the landlord shall file a termination statement, if the lien in the farm products has expired or if the tenant is no longer in possession of the leased premises and has performed all obligations under the lease.

Sec. 177. Section 570A.4, subsection 4, Code 1999, is amended to read as follows:

4. The secretary of state shall note the filing of a lien statement under this section in the manner provided by chapter 554, the uniform commercial code, and shall charge a fee as provided under section 554-9403 554.9525.

Sec. 178. Section 570A.6, Code 1999, is amended to read as follows:

570A.6 ENFORCEMENT OF LIEN.

The holder of a lien perfected under this chapter may enforce the lien in the manner provided in for agricultural liens pursuant to chapter 554, article 9, part 5 6, for the enforcement of security interests. For purposes of enforcement of the lien, the lienholder is deemed to be the secured party, and the farmer for whom the agricultural chemical, seed, feed, or petroleum product was furnished is deemed to be the debtor, and each has the respective rights and duties of a secured party and a debtor as provided in chapter 554, article 9, part 5 6. Where a right or duty under chapter 554, article 9, part 5 6, is contingent upon the existence of express language in a security agreement, or may be waived by express language in a security agreement, the requisite language is deemed not to exist for purposes of enforcement of the lien created by this chapter.

Sec. 179. Section 571.5, Code 1999, is amended to read as follows:

571.5 FORECLOSURE ENFORCEMENT OF LIEN.

Said A lien as provided in this chapter may be foreclosed enforced in the manner provided in for agricultural liens pursuant to the Uniform Commercial Code, chapter 554, Article 9, Part 5 6.

Sec. 180. Section 579A.3, unnumbered paragraph 1, Code 1999, is amended to read as follows:

While the cattle are located at the custom cattle feedlot, the custom cattle feedlot operator may foreclose a lien created in section 579A.2 in the manner provided for the foreclosure-of-secured-transactions enforcement of an agricultural lien as provided in sections-554-9504-554-9506, and-554-9507 chapter 554, article 9, part 6. After the cattle have left the custom cattle feedlot, the custom cattle feedlot operator may enforce the lien by commencing an action at law for the amount of the lien against either of the following:

Sec. 181. Section 579B.3, subsection 1, paragraph a, subparagraph (1), subparagraph subdivision (c), Code Supplement 1999, is amended to read as follows:

(c) If the livestock is slaughtered by the contractor, the lien shall be on any property of the contractor that may be subject to a security interest as provided in section ~~554-9102~~ 554.9109.

Sec. 182. Section 579B.3, subsection 1, paragraph a, subparagraph (2), subparagraph subdivision (c), Code Supplement 1999, is amended to read as follows:

(c) If the raw milk is processed by the contractor, the lien shall be on any property of the contractor that may be subject to a security interest as provided in section ~~554-9102~~ 554.9109.

Sec. 183. Section 579B.3, subsection 2, paragraph a, subparagraph (3), Code Supplement 1999, is amended to read as follows:

(3) If the crop is processed by the contractor, the lien shall be on any property of the contractor that may be subject to a security interest as provided in section ~~554-9102~~ 554.9109.

Sec. 184. Section 579B.5, Code Supplement 1999, is amended to read as follows:

579B.5 ENFORCEMENT.

Before a commodity leaves the authority of the contract producer as provided in section 579B.3, the contract producer may ~~foreclose enforce~~ a lien created in that section in the manner provided for the ~~foreclosure-of-secured-transactions enforcement of an agricultural lien~~ as provided in ~~sections 554-9504-554-9506, and-554-9507~~ chapter 554, article 9, part 6. After the commodity is no longer under the authority of the contract producer, the contract producer may enforce the lien in the manner provided in chapter 554, article 9, part 5 6.

DIVISION IV

REPEALS AND EFFECTIVE DATE

Sec. 185. Sections 554.9101 through 554.9507, Code 2001, are repealed.

Sec. 186. Section 554.11105, Code 2001, is repealed.

House File 2513, p. 173

Sec. 187. EFFECTIVE DATE. This Act takes effect July 1, 2001.

---

BRENT SIEGRIST  
Speaker of the House

---

MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2513, Seventy-eighth General Assembly.

---

ELIZABETH ISAACSON  
Chief Clerk of the House

Approved 4/26, 2000

---

THOMAS J. VILSACK  
Governor