

House Engrossed

uniform commercial code; 2022 amendments

State of Arizona  
House of Representatives  
Fifty-sixth Legislature  
First Regular Session  
2023

# HOUSE BILL 2770

AN ACT

AMENDING SECTIONS 44-6802, 47-1201, 47-1204, 47-1301, 47-1306, 47-2102, 47-2106, 47-2201, 47-2202, 47-2203, 47-2205, 47-2209, 47-2A102, 47-2A103, 47-2A107, 47-2A201, 47-2A202, 47-2A203, 47-2A205, 47-2A208, 47-3104, 47-3105, 47-3401, 47-3604, 47-4A103, 47-4A201, 47-4A202, 47-4A203, 47-4A207, 47-4A208, 47-4A210, 47-4A211, 47-4A305, 47-5104, 47-5116, 47-7102, 47-7106, 47-8102, 47-8103, 47-8106, 47-8110, 47-8303, 47-9102 AND 47-9104, ARIZONA REVISED STATUTES; REPEALING SECTION 47-9105, ARIZONA REVISED STATUTES; AMENDING TITLE 47, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 47-9105 AND SECTIONS 47-9105A, 47-9107A AND 47-9107B; AMENDING SECTIONS 47-9203, 47-9204, 47-9207, 47-9208, 47-9209, 47-9210, 47-9301, 47-9304 AND 47-9305, ARIZONA REVISED STATUTES; AMENDING TITLE 47, CHAPTER 9, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 47-9306A AND 47-9306B; AMENDING SECTIONS 47-9310, 47-9312, 47-9313 AND 47-9314, ARIZONA REVISED STATUTES; AMENDING TITLE 47, CHAPTER 9, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 47-9314A; AMENDING SECTIONS 47-9316, 47-9317, 47-9323 AND 47-9324, ARIZONA REVISED STATUTES; AMENDING TITLE 47, CHAPTER 9, ARTICLE 3, ARIZONA REVISED

STATUTES, BY ADDING SECTION 47-9326A; AMENDING SECTIONS 47-9330, 47-9331, 47-9332, 47-9334, 47-9341, 47-9404, 47-9406, 47-9408, 47-9509, 47-9513, 47-9601, 47-9605, 47-9608, 47-9611, 47-9613, 47-9614, 47-9615, 47-9616, 47-9619, 47-9620, 47-9621, 47-9624 AND 47-9628, ARIZONA REVISED STATUTES; AMENDING TITLE 47, ARIZONA REVISED STATUTES, BY ADDING CHAPTERS 12 AND 13; RELATING TO THE UNIFORM COMMERCIAL CODE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 44-6802, Arizona Revised Statutes, is amended to  
3 read:

4 44-6802. Applicability

5 A. This chapter does not apply to the following:

6 1. Rental-purchase agreements primarily for business, commercial or  
7 agricultural purposes.

8 2. Rental-purchase agreements with governmental agencies or  
9 instrumentalities or with organizations.

10 3. A lease of a safe deposit box.

11 4. A lease or bailment of personal property that is incidental to  
12 the lease of real property and that provides that the consumer has no  
13 option to purchase the leased property.

14 5. A lease of a motor vehicle, manufactured home, mobile home,  
15 factory-built building or recreational vehicle.

16 B. Notwithstanding section 44-6001, paragraphs 9, 10 and 11,  
17 chapter 17 of this title does not apply to a rental-purchase agreement.

18 C. Notwithstanding section 47-1201, subsection B, paragraph ~~35~~ 36,  
19 that paragraph and title 47, chapter 9 do not apply to a rental-purchase  
20 agreement.

21 D. Chapter 10, article 7 of this title applies to a rental-purchase  
22 agreement.

23 E. Unless a consumer's offer or agreement to enter into a  
24 rental-purchase agreement is made in a telephone communication initiated  
25 by the consumer, chapter 15 of this title applies to a rental-purchase  
26 agreement.

27 F. This chapter does not apply to:

28 1. The owner or publisher of any newspaper, magazine or other  
29 publication of printed matter in which an advertisement appears or to the  
30 owner or operator of a radio or television station or computer information  
31 service that disseminates the advertisement if the owner, publisher or  
32 operator does not have knowledge of the intent, design or purpose of the  
33 advertiser.

34 2. Any advertisement that is subject to and complies with the rules  
35 and regulations of and the statutes administered by the federal trade  
36 commission.

37 Sec. 2. Section 47-1201, Arizona Revised Statutes, is amended to  
38 read:

39 47-1201. General definitions

40 A. Unless the context otherwise requires, words or phrases defined  
41 in this section, or in the additional definitions contained in other  
42 chapters of this title that apply to particular chapters or parts thereof,  
43 have the meanings stated.

44 B. Subject to definitions contained in other chapters of this title  
45 that apply to particular chapters or parts thereof:

- 1           1. "Action", in the sense of a judicial proceeding, includes  
2           recoupment, counterclaim, set-off, suit in equity and any other proceeding  
3           in which rights are determined.
- 4           2. "Aggrieved party" means a party entitled to pursue a remedy.
- 5           3. "Agreement", as distinguished from "contract", means the bargain  
6           of the parties in fact, as found in their language or inferred from other  
7           circumstances, including course of performance, course of dealing or usage  
8           of trade as provided in section 47-1303.
- 9           4. "Bank" means a person engaged in the business of banking and  
10          includes a savings bank, savings and loan association, credit union and  
11          trust company.
- 12          5. "Bearer" means a person in control of a negotiable electronic  
13          document of title or a person in possession of a negotiable instrument,  
14          negotiable tangible document of title or certificated security that is  
15          payable to bearer or indorsed in blank.
- 16          6. "Bill of lading" means a document of title evidencing the  
17          receipt of goods for shipment issued by a person engaged in the business  
18          of directly or indirectly transporting or forwarding goods. The term does  
19          not include a warehouse receipt.
- 20          7. "Branch" includes a separately incorporated foreign branch of a  
21          bank.
- 22          8. "Burden of establishing" a fact means the burden of persuading  
23          the trier of fact that the existence of the fact is more probable than its  
24          nonexistence.
- 25          9. "Buyer in ordinary course of business" means a person that buys  
26          goods in good faith, without knowledge that the sale violates the rights  
27          of another person in the goods, and in the ordinary course from a person,  
28          other than a pawnbroker, in the business of selling goods of that kind. A  
29          person buys goods in the ordinary course if the sale to the person  
30          comports with the usual or customary practices in the kind of business in  
31          which the seller is engaged or with the seller's own usual or customary  
32          practices. A person that sells oil, gas or other minerals at the wellhead  
33          or minehead is a person in the business of selling goods of that kind. A  
34          buyer in ordinary course of business may buy for cash, by exchange of  
35          other property or on secured or unsecured credit, and may acquire goods or  
36          documents of title under a preexisting contract for sale. Only a buyer  
37          that takes possession of the goods or has a right to recover the goods  
38          from the seller under chapter 2 of this title may be a buyer in ordinary  
39          course of business. Buyer in ordinary course of business does not include  
40          a person that acquires goods in a transfer in bulk or as security for or  
41          in total or partial satisfaction of a money debt.
- 42          10. "Conspicuous", with reference to a term, means so written,  
43          displayed or presented that, **BASED ON THE TOTALITY OF THE CIRCUMSTANCES**, a  
44          reasonable person against which it is to operate ought to have noticed it.

1 Whether a term is conspicuous or not is a decision for the court.

2 ~~Conspicuous terms include the following:~~

3 ~~(a) A heading in capitals equal to or greater in size than the~~  
4 ~~surrounding text, or in contrasting type, font or color to the surrounding~~  
5 ~~text of the same or lesser size, and~~

6 ~~(b) Language in the body of a record or display in larger type than~~  
7 ~~the surrounding text, or in contrasting type, font or color to the~~  
8 ~~surrounding text of the same size, or set off from surrounding text of the~~  
9 ~~same size by symbols or other marks that call attention to the language.~~

10 11. "Consumer" means an individual who enters into a transaction  
11 primarily for personal, family or household purposes.

12 12. "Contract", as distinguished from "agreement", means the total  
13 legal obligation that results from the parties' agreement as determined by  
14 this title as supplemented by any other applicable laws.

15 13. "Creditor" includes a general creditor, a secured creditor, a  
16 lien creditor and any representative of creditors, including an assignee  
17 for the benefit of creditors, a trustee in bankruptcy, a receiver in  
18 equity and an executor or administrator of an insolvent debtor's or  
19 assignor's estate.

20 14. "Defendant" includes a person in the position of defendant in a  
21 counterclaim, cross-claim or third-party claim.

22 15. "Delivery", with respect to an electronic document of title,  
23 means voluntary transfer of control, and with respect to an instrument, a  
24 tangible document of title or AN AUTHORITATIVE TANGIBLE COPY OF A RECORD  
25 EVIDENCING chattel paper means voluntary transfer of possession.

26 16. "Document of title" means a record:

27 (a) That in the regular course of business or financing is treated  
28 as adequately evidencing that the person in possession or control of the  
29 record is entitled to receive, control, hold and dispose of the record and  
30 the goods the record covers; and

31 (b) That purports to be issued by or addressed to a bailee and to  
32 cover goods in the bailee's possession that are either identified or are  
33 fungible portions of an identified mass. The term includes a bill of  
34 lading, transport document, dock warrant, dock receipt, warehouse receipt  
35 and order for delivery of goods. An electronic document of title means a  
36 document of title evidenced by a record consisting of information stored  
37 in an electronic medium. A tangible document of title means a document of  
38 title evidenced by a record consisting of information that is inscribed on  
39 a tangible medium.

40 17. "ELECTRONIC" MEANS RELATING TO TECHNOLOGY HAVING ELECTRICAL,  
41 DIGITAL, MAGNETIC, WIRELESS, OPTICAL, ELECTROMAGNETIC OR SIMILAR  
42 CAPABILITIES.

43 ~~17.~~ 18. "Fault" means a default, breach or wrongful act or  
44 omission.

1           ~~18.~~ 19. "Fungible goods" means:  
2           (a) Goods of which any unit, by nature or usage of trade, is the  
3 equivalent of any other like unit; or  
4           (b) Goods that by agreement are treated as equivalent.  
5           ~~19.~~ 20. "Genuine" means free of forgery or counterfeiting.  
6           ~~20.~~ 21. "Good faith" means honesty in fact in the conduct or  
7 transaction concerned.  
8           ~~21.~~ 22. "Holder" means:  
9           (a) The person in possession of a negotiable instrument that is  
10 payable either to bearer or to an identified person that is the person in  
11 possession;  
12           (b) The person in possession of a negotiable tangible document of  
13 title if the goods are deliverable either to bearer or to the order of the  
14 person in possession; or  
15           (c) The person in control, **OTHER THAN PURSUANT TO SECTION 47-7106,**  
16 **SUBSECTION G,** of a negotiable electronic document of title.  
17           ~~22.~~ 23. "Insolvency proceeding" includes an assignment for the  
18 benefit of creditors or other proceeding intended to liquidate or  
19 rehabilitate the estate of the person involved.  
20           ~~23.~~ 24. "Insolvent" means:  
21           (a) Having generally ceased to pay debts in the ordinary course of  
22 business other than as a result of bona fide dispute;  
23           (b) Being unable to pay debts as they become due; or  
24           (c) Being insolvent within the meaning of federal bankruptcy law.  
25           ~~24.~~ 25. "Money" means a medium of exchange **THAT IS** currently  
26 authorized or adopted by a domestic or foreign government. The term  
27 includes a monetary unit of account established by an intergovernmental  
28 organization or by agreement between two or more countries. **THE TERM DOES**  
29 **NOT INCLUDE AN ELECTRONIC RECORD THAT IS A MEDIUM OF EXCHANGE RECORDED AND**  
30 **TRANSFERABLE IN A SYSTEM THAT EXISTED AND OPERATED FOR THE MEDIUM OF**  
31 **EXCHANGE BEFORE THE MEDIUM OF EXCHANGE WAS AUTHORIZED OR ADOPTED BY THE**  
32 **GOVERNMENT.**  
33           ~~25.~~ 26. "Organization" means a person other than an individual.  
34           ~~26.~~ 27. "Party", as distinguished from "third party", means a  
35 person that has engaged in a transaction or made an agreement subject to  
36 this title.  
37           ~~27.~~ 28. "Person" means an individual, corporation, business trust,  
38 estate, trust, partnership, limited liability company, association, joint  
39 venture, government, governmental subdivision, agency or  
40 instrumentality, ~~public corporation~~ or any other legal or commercial  
41 entity. **THE TERM INCLUDES A PROTECTED SERIES, HOWEVER DENOMINATED, OF AN**  
42 **ENTITY IF THE PROTECTED SERIES IS ESTABLISHED UNDER LAW OTHER THAN THIS**  
43 **TITLE THAT LIMITS, OR LIMITS IF CONDITIONS SPECIFIED UNDER THE LAW ARE**  
44 **SATISFIED, THE ABILITY OF A CREDITOR OF THE ENTITY OR OF ANY OTHER**

1 PROTECTED SERIES OF THE ENTITY TO SATISFY A CLAIM FROM ASSETS OF THE  
2 PROTECTED SERIES.

3 ~~28.~~ 29. "Present value" means the amount as of a date certain of  
4 one or more sums payable in the future, discounted to the date certain by  
5 use of either an interest rate specified by the parties if that rate is  
6 not manifestly unreasonable at the time the transaction is entered into  
7 or, if an interest rate is not so specified, a commercially reasonable  
8 rate that takes into account the facts and circumstances at the time the  
9 transaction is entered into.

10 ~~29.~~ 30. "Purchase" means taking by sale, lease, discount,  
11 negotiation, mortgage, pledge, lien, security interest, issue or reissue,  
12 gift or any other voluntary transaction creating an interest in property.

13 ~~30.~~ 31. "Purchaser" means a person that takes by purchase.

14 ~~31.~~ 32. "Record" means information that is inscribed on a tangible  
15 medium or that is stored in an electronic or other medium and is  
16 retrievable in perceivable form.

17 ~~32.~~ 33. "Remedy" means any remedial right to which an aggrieved  
18 party is entitled with or without resort to a tribunal.

19 ~~33.~~ 34. "Representative" means a person empowered to act for  
20 another, including an agent, an officer of a corporation or association  
21 and a trustee, executor or administrator of an estate.

22 ~~34.~~ 35. "Right" includes remedy.

23 ~~35.~~ 36. "Security interest" means an interest in personal property  
24 or fixtures that secures payment or performance of an obligation.  
25 Security interest includes any interest of a consignor and a buyer of  
26 accounts, chattel paper, a payment intangible or a promissory note in a  
27 transaction that is subject to chapter 9 of this title. Security interest  
28 does not include the special property interest of a buyer of goods on  
29 identification of those goods to a contract for sale under Section  
30 47-2401, but a buyer may also acquire a security interest by complying  
31 with chapter 9 of this title. Except as otherwise provided in Section  
32 47-2505, the right of a seller or lessor of goods under chapter 2 or 2A of  
33 this title to retain or acquire possession of the goods is not a security  
34 interest, but a seller or lessor may also acquire a security interest by  
35 complying with chapter 9 of this title. The retention or reservation of  
36 title by a seller of goods notwithstanding shipment or delivery to the  
37 buyer under section 47-2401 is limited in effect to a reservation of a  
38 security interest. Whether a transaction in the form of a lease creates a  
39 security interest is determined pursuant to section 47-1203.

40 ~~36.~~ 37. "Send", in connection with a ~~writing,~~ record or ~~notice~~  
41 NOTIFICATION, means:

42 (a) To deposit in the mail, ~~or~~ deliver for transmission, OR  
43 TRANSMIT by any other usual means of communication with postage or cost of  
44 transmission provided for, ~~and properly addressed and, in the case of an~~  
45 ~~instrument, to an address specified thereon or otherwise agreed, or if~~

1 ~~there is none~~ ADDRESSED to any address reasonable under the circumstances;  
2 or

3 ~~(b) In any other way to cause to be received any record or notice~~  
4 ~~within the time it would have arrived if properly sent.~~

5 (b) TO CAUSE THE RECORD OR NOTIFICATION TO BE RECEIVED WITHIN THE  
6 TIME IT WOULD HAVE BEEN RECEIVED IF PROPERLY SENT UNDER SUBDIVISION (a) OF  
7 THIS PARAGRAPH.

8 ~~37. "Signed" includes using any symbol executed or adopted with~~  
9 ~~present intention to adopt or accept a writing.~~

10 38. "SIGN" MEANS, WITH PRESENT INTENT TO AUTHENTICATE OR ADOPT A  
11 RECORD:

12 (a) EXECUTE OR ADOPT A TANGIBLE SYMBOL; OR

13 (b) ATTACH TO OR LOGICALLY ASSOCIATE WITH THE RECORD AN ELECTRONIC  
14 SYMBOL, SOUND OR PROCESS.

15 "SIGNED", "SIGNING" AND "SIGNATURE" HAVE CORRESPONDING MEANINGS.

16 ~~38.~~ 39. "State" means a state of the United States, the District of  
17 Columbia, Puerto Rico, the United States Virgin Islands or any territory  
18 or insular possession subject to the jurisdiction of the United States.

19 ~~39.~~ 40. "Surety" includes a guarantor or other secondary obligor.

20 ~~40.~~ 41. "Term" means a portion of an agreement that relates to a  
21 particular matter.

22 ~~41.~~ 42. "Unauthorized signature" means a signature made without  
23 actual, implied or apparent authority. The term includes a forgery.

24 ~~42.~~ 43. "Warehouse receipt" means a document of title issued by a  
25 person engaged in the business of storing goods for hire.

26 ~~43.~~ 44. "Writing" includes printing, typewriting or any other  
27 intentional reduction to tangible form. "Written" has a corresponding  
28 meaning.

29 Sec. 3. Section 47-1204, Arizona Revised Statutes, is amended to  
30 read:

31 47-1204. Value

32 Except as otherwise provided in chapters 3, 4, ~~and~~ 5, 6 AND 12 of  
33 this title, a person gives value for rights if the person acquires them:

34 1. In return for a binding commitment to extend credit or for the  
35 extension of immediately available credit, whether or not drawn upon and  
36 whether or not a charge-back is provided for in the event of difficulties  
37 in collection;

38 2. As security for, or in total or partial satisfaction of, a  
39 preexisting claim;

40 3. By accepting delivery under a preexisting contract for purchase;  
41 or

42 4. In return for any consideration sufficient to support a simple  
43 contract.



1           Sec. 4. Section 47-1301, Arizona Revised Statutes, is amended to  
2 read:

3           47-1301. Territorial applicability; parties' power to choose  
4                                 applicable law

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

9           B. In the absence of an agreement effective under subsection A of  
10 this section, and except as provided in subsection C of this section, this  
11 title applies to transactions bearing an appropriate relation to this  
12 state.

13           C. To the extent that this title governs a transaction, if one of  
14 the following sections of this title specifies the applicable law, that  
15 section governs and a contrary agreement is effective only to the extent  
16 permitted by the law so specified:

- 17           1. Section 47-2402.  
18           2. Sections 47-2A105 and 47-2A106.  
19           3. Section 47-4102.  
20           4. Section 47-4A507.  
21           5. Section 47-5116.  
22           6. Section 47-8110.  
23           7. Sections 47-9301, ~~through~~ 47-9302, 47-9303, 47-9304, 47-9305,  
24 47-9306, 47-9306A, 47-9306B AND 47-9307.  
25           8. SECTION 47-12107.

26           Sec. 5. Section 47-1306, Arizona Revised Statutes, is amended to  
27 read:

28           47-1306. Waiver or renunciation of claim or right after  
29                                 breach

30           A claim or right arising out of an alleged breach may be discharged  
31 in whole or in part without consideration by agreement of the aggrieved  
32 party in ~~an authenticated~~ A SIGNED record.

33           Sec. 6. Section 47-2102, Arizona Revised Statutes, is amended to  
34 read:

35           47-2102. Scope; certain security and other transactions  
36                                 excluded from this chapter

37           A. Unless the context otherwise requires, ~~AND EXCEPT AS PROVIDED IN~~  
38 ~~SUBSECTION C OF THIS SECTION,~~ this chapter applies to transactions in  
39 goods; ~~AND, IN THE CASE OF A HYBRID TRANSACTION, it does not apply to any~~  
40 ~~transaction which although in the form of an unconditional contract to~~  
41 ~~sell or present sale is intended to operate only as a security transaction~~  
42 ~~nor does this chapter impair or repeal any statute regulating sales to~~  
43 ~~consumers, farmers or other specified classes of buyers~~ APPLIES TO THE  
44 EXTENT PROVIDED IN SUBSECTION B OF THIS SECTION.

1           B. IN A HYBRID TRANSACTION:

2           1. IF THE SALE-OF-GOODS ASPECTS DO NOT PREDOMINATE, ONLY THE  
3 PROVISIONS OF THIS CHAPTER WHICH RELATE PRIMARILY TO THE SALE-OF-GOODS  
4 ASPECTS OF THE TRANSACTION APPLY, AND THE PROVISIONS THAT RELATE PRIMARILY  
5 TO THE TRANSACTION AS A WHOLE DO NOT APPLY.

6           2. IF THE SALE-OF-GOODS ASPECTS PREDOMINATE, THIS CHAPTER APPLIES  
7 TO THE TRANSACTION BUT DOES NOT PRECLUDE APPLICATION IN APPROPRIATE  
8 CIRCUMSTANCES OF OTHER LAW TO ASPECTS OF THE TRANSACTION WHICH DO NOT  
9 RELATE TO THE SALE OF GOODS.

10          C. THIS CHAPTER DOES NOT:

11          1. APPLY TO A TRANSACTION THAT, EVEN THOUGH IN THE FORM OF AN  
12 UNCONDITIONAL CONTRACT TO SELL OR PRESENT SALE, OPERATES ONLY TO CREATE A  
13 SECURITY INTEREST; OR

14          2. IMPAIR OR REPEAL A STATUTE REGULATING SALES TO CONSUMERS,  
15 FARMERS OR OTHER SPECIFIED CLASSES OF BUYERS.

16          Sec. 7. Section 47-2106, Arizona Revised Statutes, is amended to  
17 read:

18          47-2106. Definitions: "contract"; "agreement"; "contract for  
19 sale"; "sale"; "present sale"; "conforming" to  
20 contract; "termination"; "cancellation"; "HYBRID  
21 TRANSACTION"

22          A. In this chapter, unless the context otherwise requires,  
23 "contract" and "agreement" are limited to those relating to the present or  
24 future sale of goods. "Contract for sale" includes both a present sale of  
25 goods and a contract to sell goods at a future time. A "sale" consists in  
26 the passing of title from the seller to the buyer for a price (section  
27 47-2401). A "present sale" means a sale which is accomplished by the  
28 making of the contract.

29          B. Goods or conduct including any part of a performance are  
30 "conforming" or conform to the contract when they are in accordance with  
31 the obligations under the contract.

32          C. "Termination" occurs when either party pursuant to a power  
33 created by agreement or law puts an end to the contract otherwise than for  
34 its breach. On "termination" all obligations which are still executory on  
35 both sides are discharged but any right based on prior breach or  
36 performance survives.

37          D. "Cancellation" occurs when either party puts an end to the  
38 contract for breach by the other and its effect is the same as that of  
39 "termination" except that the cancelling party also retains any remedy for  
40 breach of the whole contract or any unperformed balance.

41          E. "HYBRID TRANSACTION" MEANS A SINGLE TRANSACTION INVOLVING A SALE  
42 OF GOODS AND:

43          1. THE PROVISION OF SERVICES;

44          2. A LEASE OF OTHER GOODS; OR

45          3. A SALE, LEASE OR LICENSE OF PROPERTY OTHER THAN GOODS.

1           Sec. 8. Section 47-2201, Arizona Revised Statutes, is amended to  
2 read:

3           47-2201. Formal requirements; statute of frauds

4           A. Except as otherwise provided in this section, a contract for the  
5 sale of goods for the price of five hundred dollars or more is not  
6 enforceable by way of action or defense unless there is ~~some writing~~ A  
7 RECORD sufficient to indicate that a contract for sale has been made  
8 between the parties and signed by the party against whom enforcement is  
9 sought or by ~~his~~ THE PARTY'S authorized agent or broker. A ~~writing~~ RECORD  
10 is not insufficient because it omits or incorrectly states a term agreed  
11 upon but the contract is not enforceable under this subsection beyond the  
12 quantity of goods shown in ~~such writing~~ THE RECORD.

13           B. Between merchants if within a reasonable time a ~~writing~~ RECORD  
14 in confirmation of the contract and sufficient against the sender is  
15 received and the party receiving it has reason to know its contents, it  
16 satisfies the requirements of subsection A of this section against ~~such~~  
17 THE party unless ~~written~~ notice IN A RECORD of objection to its contents  
18 is given within ten days after it is received.

19           C. A contract which does not satisfy the requirements of subsection  
20 A of this section but which is valid in other respects is enforceable:

21           1. If the goods are to be specially manufactured for the buyer and  
22 are not suitable for sale to others in the ordinary course of the seller's  
23 business and the seller, before notice of repudiation is received and  
24 under circumstances which reasonably indicate that the goods are for the  
25 buyer, has made either a substantial beginning of their manufacture or  
26 commitments for their procurement; or

27           2. If the party against whom enforcement is sought admits in his  
28 pleading, testimony or otherwise in court that a contract for sale was  
29 made, but the contract is not enforceable under this provision beyond the  
30 quantity of goods admitted; or

31           3. With respect to goods for which payment had been made and  
32 accepted or which have been received and accepted (section 47-2606).

33           Sec. 9. Section 47-2202, Arizona Revised Statutes, is amended to  
34 read:

35           47-2202. Final ~~written~~ expression: parol or extrinsic  
36 evidence

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

1           1. By course of performance, course of dealing or usage of trade  
2 (section 47-1303); and

3           2. By evidence of consistent additional terms unless the court  
4 finds the **writing RECORD** to have been intended also as a complete and  
5 exclusive statement of the terms of the agreement.

6           Sec. 10. Section 47-2203, Arizona Revised Statutes, is amended to  
7 read:

8           47-2203. Seals inoperative

9           The affixing of a seal to a **writing RECORD** evidencing a contract for  
10 sale or an offer to buy or sell goods does not constitute the **writing**  
11 **RECORD** a sealed instrument and the law with respect to sealed instruments  
12 does not apply to such a contract or offer.

13          Sec. 11. Section 47-2205, Arizona Revised Statutes, is amended to  
14 read:

15          47-2205. Firm offers

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

22          Sec. 12. Section 47-2209, Arizona Revised Statutes, is amended to  
23 read:

24          47-2209. Modification, rescission and waiver

25          A. An agreement modifying a contract within this chapter needs no  
26 consideration to be binding.

27          B. A signed agreement which excludes modification or rescission  
28 except by a signed writing **OR OTHER SIGNED RECORD** cannot be otherwise  
29 modified or rescinded, but except as between merchants such a requirement  
30 on a form supplied by the merchant must be separately signed by the other  
31 party.

32          C. The requirements of the statute of frauds section of this  
33 chapter (section 47-2201) must be satisfied if the contract as modified is  
34 within its provisions.

35          D. Although an attempt at modification or rescission does not  
36 satisfy the requirements of subsection B or C of this section it can  
37 operate as a waiver.

38          E. A party who has made a waiver affecting an executory portion of  
39 the contract may retract the waiver by reasonable notification received by  
40 the other party that strict performance will be required of any term  
41 waived, unless the retraction would be unjust in view of a material change  
42 of position in reliance on the waiver.

1           Sec. 13. Section 47-2A102, Arizona Revised Statutes, is amended to  
2 read:

3           47-2A102. Scope

4           A. This chapter applies to any transaction, regardless of form,  
5 that creates a lease AND, IN THE CASE OF A HYBRID LEASE, IT APPLIES TO THE  
6 EXTENT PROVIDED IN SUBSECTION B OF THIS SECTION.

7           B. IN A HYBRID LEASE:

8           1. IF THE LEASE-OF-GOODS ASPECTS DO NOT PREDOMINATE:

9           (a) ONLY THE PROVISIONS OF THIS CHAPTER WHICH RELATE PRIMARILY TO  
10 THE LEASE-OF-GOODS ASPECTS OF THE TRANSACTION APPLY, AND THE PROVISIONS  
11 THAT RELATE PRIMARILY TO THE TRANSACTION AS A WHOLE DO NOT APPLY;

12           (b) SECTION 47-2A209 APPLIES IF THE LEASE IS A FINANCE LEASE; AND

13           (c) SECTION 47-2A407 APPLIES TO THE PROMISES OF THE LESSEE IN A  
14 FINANCE LEASE TO THE EXTENT THE PROMISES ARE CONSIDERATION FOR THE RIGHT  
15 TO POSSESSION AND USE OF THE LEASED GOODS; AND

16           2. IF THE LEASE-OF-GOODS ASPECTS PREDOMINATE, THIS CHAPTER APPLIES  
17 TO THE TRANSACTION BUT DOES NOT PRECLUDE APPLICATION IN APPROPRIATE  
18 CIRCUMSTANCES OF OTHER LAW TO ASPECTS OF THE LEASE WHICH DO NOT RELATE TO  
19 THE LEASE OF GOODS.

20           Sec. 14. Section 47-2A103, Arizona Revised Statutes, is amended to  
21 read:

22           47-2A103. Definitions and index of definitions

23           A. In this chapter, unless the context otherwise requires:

24           1. "Buyer in ordinary course of business" means a person who in  
25 good faith and without knowledge that the sale to him is in violation of  
26 the ownership rights or security interest or leasehold interest of a third  
27 party in the goods buys in ordinary course from a person in the business  
28 of selling goods of that kind but does not include a pawnbroker. "Buying"  
29 may be for cash or by exchange of other property or on secured or  
30 unsecured credit and includes acquiring goods or documents of title under  
31 a preexisting contract for sale but does not include a transfer in bulk or  
32 as security for or in total or partial satisfaction of a money debt.

33           2. "Cancellation" occurs when either party puts an end to the lease  
34 contract for default by the other party.

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

42           4. "Conforming" goods or performance under a lease contract means  
43 goods or performance that is in accordance with the obligations under the  
44 lease contract.

1           5. "Consumer lease" means a lease that a lessor regularly engaged  
2 in the business of leasing or selling makes to a lessee who is an  
3 individual and who takes under the lease primarily for a personal, family  
4 or household purpose, if the total payments to be made under the lease  
5 contract, excluding payments for options to renew or buy, do not exceed  
6 ~~twenty-five thousand dollars~~ \$25,000.

7           6. "Fault" means wrongful act, omission, breach or default.

8           7. "Finance lease" means a lease with respect to which:

9           (a) The lessor does not select, manufacture or supply the goods;

10          (b) The lessor acquires the goods or the right to possession and  
11 use of the goods in connection with the lease; and

12          (c) One of the following occurs:

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

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

19          (iii) The lessee, before signing the lease contract, receives an  
20 accurate and complete statement designating the promises and warranties,  
21 and any disclaimers of warranties, limitations or modifications of  
22 remedies, or liquidated damages, including those of a third party, such as  
23 the manufacturer of the goods, provided to the lessor by the person  
24 supplying the goods in connection with or as part of the contract by which  
25 the lessor acquired the goods or the right to possession and use of the  
26 goods; or

27          (iv) If the lease is not a consumer lease, the lessor, before the  
28 lessee signs the lease contract, informs the lessee in writing of the  
29 identity of the person supplying the goods to the lessor, unless the  
30 lessee has selected that person and directed the lessor to acquire the  
31 goods or the right to possession and use of the goods from that person,  
32 that the lessee is entitled under this chapter to the promises and  
33 warranties, including those of any third party, provided to the lessor by  
34 the person supplying the goods in connection with or as part of the  
35 contract by which the lessor acquired the goods or the right to possession  
36 and use of the goods, and that the lessee may communicate with the person  
37 supplying the goods to the lessor and receive an accurate and complete  
38 statement of those promises and warranties, including any disclaimers and  
39 limitations of them or of remedies.

40          8. "Goods" means all things that are movable at the time of  
41 identification to the lease contract, or are fixtures (section 47 2A309),  
42 but the term does not include money, documents, instruments, accounts,  
43 chattel paper, general intangibles or minerals or the like, including oil  
44 and gas, before extraction. The term also includes the unborn young of  
45 animals.

1           9. "HYBRID LEASE" MEANS A SINGLE TRANSACTION INVOLVING A LEASE OF  
2 GOODS AND:

3           (a) THE PROVISION OF SERVICES;

4           (b) A SALE OF OTHER GOODS; OR

5           (c) A SALE, LEASE OR LICENSE OF PROPERTY OTHER THAN GOODS.

6           ~~9.~~ 10. "Installment lease contract" means a lease contract that  
7 authorizes or requires the delivery of goods in separate lots to be  
8 separately accepted, even though the lease contract contains a clause  
9 "each delivery is a separate lease" or its equivalent.

10          ~~10.~~ 11. "Lease" means a transfer of the right to possession and  
11 use of goods for a term in return for consideration, but a sale, including  
12 a sale on approval or a sale or return, or retention or creation of a  
13 security interest is not a lease. Unless the context clearly indicates  
14 otherwise, the term includes a sublease.

15          ~~11.~~ 12. "Lease agreement" means the bargain, with respect to the  
16 lease, of the lessor and the lessee in fact as found in their language or  
17 by implication from other circumstances including course of dealing or  
18 usage of trade or course of performance as provided in this article.  
19 Unless the context clearly indicates otherwise, the term includes a  
20 sublease agreement.

21          ~~12.~~ 13. "Lease contract" means the total legal obligation that  
22 results from the lease agreement as affected by this chapter and any other  
23 applicable rules of law. Unless the context clearly indicates otherwise,  
24 the term includes a sublease contract.

25          ~~13.~~ 14. "Leasehold interest" means the interest of the lessor or  
26 the lessee under a lease contract.

27          ~~14.~~ 15. "Lessee" means a person who acquires the right to  
28 possession and use of goods under a lease. Unless the context clearly  
29 indicates otherwise, the term includes a sublessee.

30          ~~15.~~ 16. "Lessee in ordinary course of business" means a person who  
31 in good faith and without knowledge that the lease to him is in violation  
32 of the ownership rights or security interest or leasehold interest of a  
33 third party in the goods leases in ordinary course from a person in the  
34 business of selling or leasing goods of that kind but does not include a  
35 pawnbroker. "Leasing" may be for cash or by exchange of other property or  
36 on secured or unsecured credit and includes acquiring goods or documents  
37 of title under a preexisting lease contract but does not include a  
38 transfer in bulk or as security for or in total or partial satisfaction of  
39 a money debt.

40          ~~16.~~ 17. "Lessor" means a person who transfers the right to  
41 possession and use of goods under a lease. Unless the context clearly  
42 indicates otherwise, the term includes a sublessor.

43          ~~17.~~ 18. "Lessor's residual interest" means the lessor's interest  
44 in the goods after expiration, termination or cancellation of the lease  
45 contract.

1           ~~18.~~ 19. "Lien" means a charge against or interest in goods to  
2 secure payment of a debt or performance of an obligation, but the term  
3 does not include a security interest.

4           ~~19.~~ 20. "Lot" means a parcel or a single article that is the  
5 subject matter of a separate lease or delivery, whether or not it is  
6 sufficient to perform the lease contract.

7           ~~20.~~ 21. "Merchant lessee" means a lessee that is a merchant with  
8 respect to goods of the kind subject to the lease.

9           ~~21.~~ 22. "Present value" means the amount as of a date certain of  
10 one or more sums payable in the future, discounted to the date certain.  
11 The discount is determined by the interest rate specified by the parties  
12 if the rate was not manifestly unreasonable at the time the transaction  
13 was entered into. Otherwise, the discount is determined by a commercially  
14 reasonable rate that takes into account the facts and circumstances of  
15 each case at the time the transaction was entered into.

16           ~~22.~~ 23. "Purchase" includes taking by sale, lease, mortgage,  
17 security interest, pledge, gift or any other voluntary transaction  
18 creating an interest in goods.

19           ~~23.~~ 24. "Sublease" means a lease of goods the right to possession  
20 and use of which was acquired by the lessor as a lessee under an existing  
21 lease.

22           ~~24.~~ 25. "Supplier" means a person from whom a lessor buys or  
23 leases goods to be leased under a finance lease.

24           ~~25.~~ 26. "Supply contract" means a contract under which a lessor  
25 buys or leases goods to be leased.

26           ~~26.~~ 27. "Termination" occurs when either party pursuant to a power  
27 created by agreement or law puts an end to the lease contract otherwise  
28 than for default.

29           B. Other definitions applying to this chapter and the sections in  
30 which they appear are:

- 31           1. "Accessions". Section 47-2A310.
- 32           2. "Construction mortgage". Section 47-2A309.
- 33           3. "Encumbrance". Section 47-2A309.
- 34           4. "Fixture filing". Section 47-2A309.
- 35           5. "Fixtures". Section 47-2A309.
- 36           6. "Purchase money lease". Section 47-2A309.

37           C. The following definitions in other chapters apply to this  
38 chapter:

- 39           1. "Account". Section 47-9102.
- 40           2. "Between merchants". Section 47-2104.
- 41           3. "Buyer". Section 47-2103.
- 42           4. "Chattel paper". Section 47-9102.
- 43           5. "Consumer goods". Section 47-9102.
- 44           6. "Document". Section 47-9102.
- 45           7. "Entrusting". Section 47-2403.





1 ordinary course of the lessor's business, and the lessor, before notice of  
2 repudiation is received and under circumstances that reasonably indicate  
3 that the goods are for the lessee, has made either a substantial beginning  
4 of their manufacture or commitments for their procurement;

5 2. If the party against whom enforcement is sought admits in that  
6 party's pleading, testimony or otherwise in court that a lease contract  
7 was made, but the lease contract is not enforceable under this provision  
8 beyond the quantity of goods admitted; or

9 3. With respect to goods that have been received and accepted by  
10 the lessee.

11 E. The lease term under a lease contract referred to in subsection  
12 D is:

13 1. If there is a ~~writing~~ RECORD signed by the party against whom  
14 enforcement is sought or by that party's authorized agent specifying the  
15 lease term, the term so specified;

16 2. If the party against whom enforcement is sought admits in that  
17 party's pleading, testimony or otherwise in court a lease term, the term  
18 so admitted; or

19 3. A reasonable lease term.

20 Sec. 17. Section 47-2A202, Arizona Revised Statutes, is amended to  
21 read:

22 47-2A202. Final ~~written~~ expression; ~~parol~~ or extrinsic  
23 evidence

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

30 1. By course of dealing or usage of trade or by course of  
31 performance; and

32 2. By evidence of consistent additional terms unless the court  
33 finds the ~~writing~~ RECORD to have been intended also as a complete and  
34 exclusive statement of the terms of the agreement.

35 Sec. 18. Section 47-2A203, Arizona Revised Statutes, is amended to  
36 read:

37 47-2A203. Seals inoperative

38 The affixing of a seal to a ~~writing~~ RECORD evidencing a lease  
39 contract or an offer to enter into a lease contract does not render the  
40 ~~writing~~ RECORD a sealed instrument and the law with respect to sealed  
41 instruments does not apply to the lease contract or offer.

1           Sec. 19. Section 47-2A205, Arizona Revised Statutes, is amended to  
2 read:

3           47-2A205. Firm offers

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

11          Sec. 20. Section 47-2A208, Arizona Revised Statutes, is amended to  
12 read:

13          47-2A208. Modification, rescission and waiver

14          A. An agreement modifying a lease contract needs no consideration  
15 to be binding.

16          B. A signed lease agreement that excludes modification or  
17 rescission except by a signed ~~writing~~ RECORD may not be otherwise modified  
18 or rescinded, but, except as between merchants, such a requirement on a  
19 form supplied by a merchant must be separately signed by the other party.

20          C. Although an attempt at modification or rescission does not  
21 satisfy the requirements of subsection B, it may operate as a waiver.

22          D. A party who has made a waiver affecting an executory portion of  
23 a lease contract may retract the waiver by reasonable notification  
24 received by the other party that strict performance will be required of  
25 any term waived, unless the retraction would be unjust in view of a  
26 material change of position in reliance on the waiver.

27          Sec. 21. Section 47-3104, Arizona Revised Statutes, is amended to  
28 read:

29          47-3104. Negotiable instrument

30          A. Except as provided in subsections C and D, "negotiable  
31 instrument" means an unconditional promise or order to pay a fixed amount  
32 of money, with or without interest or other charges described in the  
33 promise or order, if it:

34           1. Is payable to bearer or to order at the time it is issued or  
35 first comes into possession of a holder;

36           2. Is payable on demand or at a definite time; and

37           3. Does not state any other undertaking or instruction by the  
38 person promising or ordering payment to do any act in addition to the  
39 payment of money, but the promise or order may contain:

40           (a) An undertaking or power to give, maintain or protect collateral  
41 to secure payment;

42           (b) An authorization or power to the holder to confess judgment or  
43 realize on or dispose of collateral; ~~or~~

1 (c) A waiver of the benefit of any law intended for the advantage  
2 or protection of an obligor; ~~---~~

3 (d) A TERM THAT SPECIFIES THE LAW THAT GOVERNS THE PROMISE OR  
4 ORDER; OR

5 (e) AN UNDERTAKING TO RESOLVE IN A SPECIFIED FORUM A DISPUTE  
6 CONCERNING THE PROMISE OR ORDER.

7 B. "Instrument" means a negotiable instrument.

8 C. An order that meets all of the requirements of subsection A,  
9 except paragraph 1, and otherwise falls within the definition of "check"  
10 in subsection F is a negotiable instrument and a check.

11 D. A promise or order other than a check is not an instrument if,  
12 at the time it is issued or first comes into possession of a holder, it  
13 contains a conspicuous statement, however expressed, to the effect that  
14 the promise or order is not negotiable or is not an instrument governed by  
15 this chapter.

16 E. An instrument is a "note" if it is a promise and is a "draft" if  
17 it is an order. If an instrument falls within the definition of both  
18 "note" and "draft", a person entitled to enforce the instrument may treat  
19 it as either.

20 F. "Check" means:

21 1. A draft, other than a documentary draft, payable on demand and  
22 drawn on a bank; or

23 2. A cashier's check or teller's check.

24 An instrument may be a check even though it is described on its face by  
25 another term, such as "money order".

26 G. "Cashier's check" means a draft with respect to which the drawer  
27 and drawee are the same bank or branches of the same bank.

28 H. "Teller's check" means a draft drawn by a bank:

29 1. On another bank; or

30 2. Payable at or through a bank.

31 I. "Traveler's check" means an instrument that:

32 1. Is payable on demand;

33 2. Is drawn on or payable at or through a bank;

34 3. Is designated by the term "traveler's check" or by a  
35 substantially similar term; and

36 4. Requires, as a condition to payment, a countersignature by a  
37 person whose specimen signature appears on the instrument.

38 J. "Certificate of deposit" means an instrument containing an  
39 acknowledgment by a bank that a sum of money has been received by the bank  
40 and a promise by the bank to repay the sum of money. A certificate of  
41 deposit is a note of the bank.

1           Sec. 22. Section 47-3105, Arizona Revised Statutes, is amended to  
2 read:

3           47-3105. Issue of instrument

4           A. "Issue" means:

5           1. The first delivery of an instrument by the maker or drawer,  
6 whether to a holder or nonholder, for the purpose of giving rights on the  
7 instrument to any person; ~~OR~~

8           2. ~~IF AGREED BY THE PAYEE, THE FIRST TRANSMISSION BY THE DRAWER TO~~  
9 ~~THE PAYEE OF AN IMAGE OF AN ITEM AND INFORMATION DERIVED FROM THE ITEM~~  
10 ~~THAT ENABLES THE DEPOSITARY BANK TO COLLECT THE ITEM BY TRANSFERRING OR~~  
11 ~~PRESENTING UNDER FEDERAL LAW AN ELECTRONIC CHECK.~~

12           B. An unissued instrument, or an unissued incomplete instrument  
13 that is completed, is binding on the maker or drawer, but nonissuance is a  
14 defense. An instrument that is conditionally issued or is issued for a  
15 special purpose is binding on the maker or drawer, but failure of the  
16 condition or special purpose to be fulfilled is a defense.

17           C. "Issuer" applies to issued and unissued instruments and means a  
18 maker or drawer of an instrument.

19           Sec. 23. Section 47-3401, Arizona Revised Statutes, is amended to  
20 read:

21           47-3401. Signature NECESSARY FOR LIABILITY ON INSTRUMENT

22           ~~A.~~ A person is not liable on an instrument unless:

23           1. The person signed the instrument; or

24           2. The person is represented by an agent or representative who  
25 signed the instrument and the signature is binding on the represented  
26 person under section 47-3402.

27           ~~B. A signature may be made:~~

28           ~~1. Manually or by means of a device or machine; and~~

29           ~~2. By the use of any name, including a trade or assumed name, or by~~  
30 ~~a word, mark or symbol executed or adopted by a person with present~~  
31 ~~intention to authenticate a writing.~~

32           Sec. 24. Section 47-3604, Arizona Revised Statutes, is amended to  
33 read:

34           47-3604. Discharge by cancellation or renunciation

35           A. A person entitled to enforce an instrument, with or without  
36 consideration, may discharge the obligation of a party to pay the  
37 instrument:

38           1. By an intentional voluntary act, such as surrender of the  
39 instrument to the party, destruction, mutilation or cancellation of the  
40 instrument, cancellation or striking out of the party's signature or the  
41 addition of words to the instrument indicating discharge; or

42           2. By agreeing not to sue or otherwise renouncing rights against  
43 the party by a signed writing.

1 B. Cancellation or striking out of an indorsement pursuant to  
2 subsection A does not affect the status and rights of a party derived from  
3 the indorsement.

4 C. THE OBLIGATION OF A PARTY TO PAY A CHECK IS NOT DISCHARGED  
5 SOLELY BY DESTRUCTION OF THE CHECK IN CONNECTION WITH A PROCESS IN WHICH  
6 INFORMATION IS EXTRACTED FROM THE CHECK AND AN IMAGE OF THE CHECK IS MADE  
7 AND, SUBSEQUENTLY, THE INFORMATION AND IMAGE ARE TRANSMITTED FOR PAYMENT.

8 Sec. 25. Section 47-4A103, Arizona Revised Statutes, is amended to  
9 read:

10 47-4A103. Payment order; definitions

11 A. In this chapter:

12 1. "Payment order" means an instruction of a sender to a receiving  
13 bank, transmitted orally, ~~electronically~~ or in ~~writing~~ A RECORD, to pay,  
14 or to cause another bank to pay, a fixed or determinable amount of money  
15 to a beneficiary if:

16 (a) The instruction does not state a condition to payment to the  
17 beneficiary other than time of payment;

18 (b) The receiving bank is to be reimbursed by debiting an account  
19 of, or otherwise receiving payment from, the sender; and

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

23 2. "Beneficiary" means the person to be paid by the beneficiary's  
24 bank.

25 3. "Beneficiary's bank" means the bank identified in a payment  
26 order in which an account of the beneficiary is to be credited pursuant to  
27 the order or which otherwise is to make payment to the beneficiary if the  
28 order does not provide for payment to an account.

29 4. "Receiving bank" means the bank to which the sender's  
30 instruction is addressed.

31 5. "Sender" means the person giving the instruction to the  
32 receiving bank.

33 B. If an instruction complying with subsection A, paragraph 1 is to  
34 make more than one payment to a beneficiary, the instruction is a separate  
35 payment order with respect to each payment.

36 C. A payment order is issued when it is sent to the receiving bank.

37 Sec. 26. Section 47-4A201, Arizona Revised Statutes, is amended to  
38 read:

39 47-4A201. Security procedure

40 "Security procedure" means a procedure established by agreement of a  
41 customer and a receiving bank for the purpose of verifying that a payment  
42 order or communication amending or cancelling a payment order is that of  
43 the customer or detecting error in the transmission or the content of the  
44 payment order or communication. A security procedure MAY IMPOSE AN  
45 OBLIGATION ON THE RECEIVING BANK OR THE CUSTOMER AND may require the use

1 of algorithms or other codes, identifying words, ~~or~~ numbers, SYMBOLS,  
2 SOUNDS, BIOMETRICS, encryption, callback procedures or similar security  
3 devices. Comparison of a signature on a payment order or communication  
4 with an authorized specimen signature of the customer OR REQUIRING A  
5 PAYMENT ORDER TO BE SENT FROM A KNOWN EMAIL ADDRESS, IP ADDRESS OR  
6 TELEPHONE NUMBER is not by itself a security procedure.

7 Sec. 27. Section 47-4A202, Arizona Revised Statutes, is amended to  
8 read:

9 47-4A202. Authorized and verified payment orders

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

13 B. If a bank and its customer have agreed that the authenticity of  
14 payment orders issued to the bank in the name of the customer as sender  
15 will be verified pursuant to a security procedure, a payment order  
16 received by the receiving bank is effective as the order of the customer,  
17 whether or not authorized, if the security procedure is a commercially  
18 reasonable method of providing security against unauthorized payment  
19 orders and the bank proves that it accepted the payment order in good  
20 faith and in compliance with THE BANK'S OBLIGATIONS UNDER the security  
21 procedure and any ~~written~~ agreement or instruction of the customer,  
22 EVIDENCED BY A RECORD, restricting acceptance of payment orders issued in  
23 the name of the customer. The bank is not required to follow an  
24 instruction that violates ~~a written~~ AN agreement with the customer,  
25 EVIDENCED BY A RECORD, or notice of which is not received at a time and in  
26 a manner affording the bank a reasonable opportunity to act on it before  
27 the payment order is accepted.

28 C. Commercial reasonableness of a security procedure is a question  
29 of law to be determined by considering the wishes of the customer  
30 expressed to the bank, the circumstances of the customer known to the  
31 bank, including the size, type and frequency of payment orders normally  
32 issued by the customer to the bank, alternative security procedures  
33 offered to the customer and security procedures in general use by  
34 customers and receiving banks similarly situated. A security procedure is  
35 deemed to be commercially reasonable if:

36 1. The security procedure was chosen by the customer after the bank  
37 offered, and the customer refused, a security procedure that was  
38 commercially reasonable for that customer; and

39 2. The customer expressly agreed in ~~writing~~ A RECORD to be bound by  
40 any payment order, whether or not authorized, issued in its name and  
41 accepted by the bank in compliance with THE BANK'S OBLIGATIONS UNDER the  
42 security procedure chosen by the customer.

43 D. The term "sender" in this chapter includes the customer in whose  
44 name a payment order is issued if the order is the authorized order of the

1 customer under subsection A of this section, or it is effective as the  
2 order of the customer under subsection B of this section.

3 E. This section applies to amendments and cancellations of payment  
4 orders to the same extent it applies to payment orders.

5 F. Except as provided in this section and in section 47-4A203,  
6 subsection A, paragraph 1, rights and obligations arising under this  
7 section or section 47-4A203 may not be varied by agreement.

8 Sec. 28. Section 47-4A203, Arizona Revised Statutes, is amended to  
9 read:

10 47-4A203. Unenforceability of certain verified payment orders

11 A. If an accepted payment order is not, under section 47-4A202,  
12 subsection A, an authorized order of a customer identified as sender, but  
13 is effective as an order of the customer pursuant to section 47-4A202,  
14 subsection B, the following rules apply:

15 1. By express ~~written~~ agreement **EVIDENCED BY A RECORD**, the  
16 receiving bank may limit the extent to which it is entitled to enforce or  
17 retain payment of the payment order.

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

28 B. This section applies to amendments of payment orders to the same  
29 extent it applies to payment orders.

30 Sec. 29. Section 47-4A207, Arizona Revised Statutes, is amended to  
31 read:

32 47-4A207. Misdescription of beneficiary

33 A. Subject to subsection B, if, in a payment order received by the  
34 beneficiary's bank, the name, bank account number or other identification  
35 of the beneficiary refers to a nonexistent or unidentifiable person or  
36 account, no person has rights as a beneficiary of the order and acceptance  
37 of the order cannot occur.

38 B. If a payment order received by the beneficiary's bank identifies  
39 the beneficiary both by name and by an identifying or bank account number  
40 and the name and number identify different persons, the following rules  
41 apply:

42 1. Except as otherwise provided in subsection C, if the  
43 beneficiary's bank does not know that the name and number refer to  
44 different persons, it may rely on the number as the proper identification



1 of the beneficiary of the order. The beneficiary's bank need not  
2 determine whether the name and number refer to the same person.

3 2. If the beneficiary's bank pays the person identified by name or  
4 knows that the name and number identify different persons, no person has  
5 rights as beneficiary except the person paid by the beneficiary's bank if  
6 that person was entitled to receive payment from the originator of the  
7 funds transfer. If no person has rights as beneficiary, acceptance of the  
8 order cannot occur.

9 C. If a payment order described in subsection B is accepted, the  
10 originator's payment order described the beneficiary inconsistently by  
11 name and number and the beneficiary's bank pays the person identified by  
12 number as permitted by subsection B, paragraph 1, the following rules  
13 apply:

14 1. If the originator is a bank, the originator is obliged to pay  
15 its order.

16 2. If the originator is not a bank and proves that the person  
17 identified by number was not entitled to receive payment from the  
18 originator, the originator is not obliged to pay its order unless the  
19 originator's bank proves that the originator, before acceptance of the  
20 originator's order, had notice that payment of a payment order issued by  
21 the originator might be made by the beneficiary's bank on the basis of an  
22 identifying or bank account number even if it identifies a person  
23 different from the named beneficiary. Proof of notice may be made by any  
24 admissible evidence. The originator's bank satisfies the burden of proof  
25 if it proves that the originator, before the payment order was accepted,  
26 signed a ~~writing~~ RECORD stating the information to which the notice  
27 relates.

28 D. In a case governed by subsection B, paragraph 1, if the  
29 beneficiary's bank rightfully pays the person identified by number and  
30 that person was not entitled to receive payment from the originator, the  
31 amount paid may be recovered from that person to the extent allowed by the  
32 law governing mistake and restitution as follows:

33 1. If the originator is obliged to pay its payment order as stated  
34 in subsection C, the originator has the right to recover.

35 2. If the originator is not a bank and is not obliged to pay its  
36 payment order, the originator's bank has the right to recover.

37 Sec. 30. Section 47-4A208, Arizona Revised Statutes, is amended to  
38 read:

39 47-4A208. Misdescription of intermediary bank or  
40 beneficiary's bank

41 A. The following rules apply to a payment order identifying an  
42 intermediary bank or the beneficiary's bank only by an identifying number:

43 1. The receiving bank may rely on the number as the proper  
44 identification of the intermediary or beneficiary's bank and need not  
45 determine whether the number identifies a bank.

1           2. The sender is obliged to compensate the receiving bank for any  
2 loss and expenses incurred by the receiving bank as a result of its  
3 reliance on the number in executing or attempting to execute the order.

4           B. The following rules apply to a payment order identifying an  
5 intermediary bank or the beneficiary's bank both by name and an  
6 identifying number if the name and number identify different persons:

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

16           2. If the sender is not a bank and the receiving bank proves that  
17 the sender, before the payment order was accepted, had notice that the  
18 receiving bank might rely on the number as the proper identification of  
19 the intermediary or beneficiary's bank even if it identifies a person  
20 different from the bank identified by name, the rights and obligations of  
21 the sender and the receiving bank are governed by subsection B, paragraph  
22 1 of this section, as though the sender were a bank. Proof of notice may  
23 be made by any admissible evidence. The receiving bank satisfies the  
24 burden of proof if it proves that the sender, before the payment order was  
25 accepted, signed a ~~writing~~ RECORD stating the information to which the  
26 notice relates.

27           3. Regardless of whether the sender is a bank, the receiving bank  
28 may rely on the name as the proper identification of the intermediary or  
29 beneficiary's bank if the receiving bank, at the time it executes the  
30 sender's order, does not know that the name and number identify different  
31 persons. The receiving bank need not determine whether the name and  
32 number refer to the same person.

33           4. If the receiving bank knows that the name and number identify  
34 different persons, reliance on either the name or the number in executing  
35 the sender's payment order is a breach of the obligation stated in section  
36 47-4A302, subsection A, paragraph 1.

37           Sec. 31. Section 47-4A210, Arizona Revised Statutes, is amended to  
38 read:

39           47-4A210. Rejection of payment order

40           A. A payment order is rejected by the receiving bank by a notice of  
41 rejection transmitted to the sender orally, ~~electronically~~ or in ~~writing~~ A  
42 RECORD. A notice of rejection need not use any particular words and is  
43 sufficient if it indicates that the receiving bank is rejecting the order  
44 or will not execute or pay the order. Rejection is effective when the  
45 notice is given if transmission is by a means that is reasonable in the

1 circumstances. If notice of rejection is given by a means that is not  
2 reasonable, rejection is effective when the notice is received. If an  
3 agreement of the sender and receiving bank establishes the means to be  
4 used to reject a payment order:

- 5 1. Any means complying with the agreement is reasonable; and
- 6 2. Any means not complying is not reasonable unless no significant  
7 delay in receipt of the notice resulted from the use of the noncomplying  
8 means.

9 B. This subsection applies if a receiving bank other than the  
10 beneficiary's bank fails to execute a payment order despite the existence  
11 on the execution date of a withdrawable credit balance in an authorized  
12 account of the sender sufficient to cover the order. If the sender does  
13 not receive notice of rejection of the order on the execution date and the  
14 authorized account of the sender does not bear interest, the bank is  
15 obliged to pay interest to the sender on the amount of the order for the  
16 number of days elapsing after the execution date to the earlier of the day  
17 the order is canceled pursuant to section 47-4A211, subsection D or the  
18 day the sender receives notice or learns that the order was not executed,  
19 counting the final day of the period as an elapsed day. If the  
20 withdrawable credit balance during that period falls below the amount of  
21 the order, the amount of interest is reduced accordingly.

22 C. If a receiving bank suspends payments, all unaccepted payment  
23 orders issued to it are deemed rejected at the time the bank suspends  
24 payments.

25 D. Acceptance of a payment order precludes a later rejection of the  
26 order. Rejection of a payment order precludes a later acceptance of the  
27 order.

28 Sec. 32. Section 47-4A211, Arizona Revised Statutes, is amended to  
29 read:

30 47-4A211. Cancellation and amendment of payment order

31 A. A communication of the sender of a payment order cancelling or  
32 amending the order may be transmitted to the receiving bank  
33 orally, ~~electronically~~ or in ~~writing~~ A RECORD. If a security procedure is  
34 in effect between the sender and the receiving bank, the communication is  
35 not effective to cancel or amend the order unless the communication is  
36 verified pursuant to the security procedure or the bank agrees to the  
37 cancellation or amendment.

38 B. Subject to subsection A, a communication by the sender  
39 cancelling or amending a payment order is effective to cancel or amend the  
40 order if notice of the communication is received at a time and in a manner  
41 affording the receiving bank a reasonable opportunity to act on the  
42 communication before the bank accepts the payment order.

1 C. After a payment order has been accepted, cancellation or  
2 amendment of the order is not effective unless the receiving bank agrees  
3 or a funds-transfer system rule allows cancellation or amendment without  
4 agreement of the bank and:

5 1. With respect to a payment order accepted by a receiving bank  
6 other than the beneficiary's bank, cancellation or amendment is not  
7 effective unless a conforming cancellation or amendment of the payment  
8 order issued by the receiving bank is also made.

9 2. With respect to a payment order accepted by the beneficiary's  
10 bank, cancellation or amendment is not effective unless the order was  
11 issued in execution of an unauthorized payment order, or because of a  
12 mistake by a sender in the funds transfer which resulted in the issuance  
13 of a payment order that is a duplicate of a payment order previously  
14 issued by the sender, that orders payment to a beneficiary not entitled to  
15 receive payment from the originator or that orders payment in an amount  
16 greater than the amount the beneficiary was entitled to receive from the  
17 originator. If the payment order is canceled or amended, the  
18 beneficiary's bank is entitled to recover from the beneficiary any amount  
19 paid to the beneficiary to the extent allowed by the law governing mistake  
20 and restitution.

21 D. An unaccepted payment order is canceled by operation of law at  
22 the close of the fifth funds-transfer business day of the receiving bank  
23 after the execution date or payment date of the order.

24 E. A canceled payment order cannot be accepted. If an accepted  
25 payment order is canceled, the acceptance is nullified and no person has  
26 any right or obligation based on the acceptance. Amendment of a payment  
27 order is deemed to be cancellation of the original order at the time of  
28 amendment and issue of a new payment order in the amended form at the same  
29 time.

30 F. Unless otherwise provided in an agreement of the parties or in a  
31 funds-transfer system rule, if the receiving bank, after accepting a  
32 payment order, agrees to cancellation or amendment of the order by the  
33 sender or is bound by a funds-transfer system rule allowing cancellation  
34 or amendment without the bank's agreement, the sender, whether or not  
35 cancellation or amendment is effective, is liable to the bank for any loss  
36 and expenses, including reasonable attorney fees, incurred by the bank as  
37 a result of the cancellation or amendment or attempted cancellation or  
38 amendment.

39 G. A payment order is not revoked by the death or legal incapacity  
40 of the sender unless the receiving bank knows of the death or of an  
41 adjudication of incapacity by a court of competent jurisdiction and has  
42 reasonable opportunity to act before acceptance of the order.

1 H. A funds-transfer system rule is not effective to the extent it  
2 conflicts with subsection C, paragraph 2.

3 Sec. 33. Section 47-4A305, Arizona Revised Statutes, is amended to  
4 read:

5 47-4A305. Liability for late or improper execution or failure  
6 to execute payment order

7 A. If a funds transfer is completed but execution of a payment  
8 order by the receiving bank in breach of section 47-4A302 results in delay  
9 in payment to the beneficiary, the bank is obliged to pay interest to  
10 either the originator or the beneficiary of the funds transfer for the  
11 period of delay caused by the improper execution. Except as provided in  
12 subsection C of this section, additional damages are not recoverable.

13 B. If execution of a payment order by a receiving bank in breach of  
14 section 47-4A302 results in noncompletion of the funds transfer, failure  
15 to use an intermediary bank designated by the originator or issuance of a  
16 payment order that does not comply with the terms of the payment order of  
17 the originator, the bank is liable to the originator for its expenses in  
18 the funds transfer and for incidental expenses and interest losses, to the  
19 extent not covered by subsection A of this section, resulting from the  
20 improper execution. Except as provided in subsection C of this section,  
21 additional damages are not recoverable.

22 C. In addition to the amounts payable under subsections A and B of  
23 this section, damages, including consequential damages, are recoverable to  
24 the extent provided in an express ~~written~~ agreement of the receiving bank,  
25 EVIDENCED BY A RECORD.

26 D. If a receiving bank fails to execute a payment order it was  
27 obliged by express agreement to execute, the receiving bank is liable to  
28 the sender for its expenses in the transaction and for incidental expenses  
29 and interest losses resulting from the failure to execute. Additional  
30 damages, including consequential damages, are recoverable to the extent  
31 provided in an express ~~written~~ agreement of the receiving bank, EVIDENCED  
32 BY A RECORD, but are not otherwise recoverable.

33 E. Reasonable attorney fees are recoverable if demand for  
34 compensation under subsection A or B of this section is made and refused  
35 before an action is brought on the claim. If a claim is made for breach  
36 of an agreement under subsection D of this section and the agreement does  
37 not provide for damages, reasonable attorney fees are recoverable if  
38 demand for compensation under subsection D of this section is made and  
39 refused before an action is brought on the claim.

40 F. Except as stated in this section, the liability of a receiving  
41 bank under subsections A and B of this section may not be varied by  
42 agreement.

1           Sec. 34. Section 47-5104, Arizona Revised Statutes, is amended to  
2 read:

3           47-5104. Formal requirements

4           A letter of credit, confirmation, advice, transfer, amendment or  
5 cancellation may be issued in any form that is a SIGNED record ~~and is~~  
6 ~~authenticated by a signature or in accordance with the agreement of the~~  
7 ~~parties or the standard practice referred to in section 47-5108,~~  
8 ~~subsection E.~~

9           Sec. 35. Section 47-5116, Arizona Revised Statutes, is amended to  
10 read:

11           47-5116. Choice of law and forum

12           A. The liability of an issuer, nominated person or adviser for  
13 action or omission is governed by the law of the jurisdiction chosen by an  
14 agreement in the form of a record signed ~~or otherwise authenticated~~ by the  
15 affected parties ~~in the manner provided in section 47-5104~~ or by a  
16 provision in the person's letter of credit, confirmation or other  
17 undertaking. The jurisdiction whose law is chosen need not bear any  
18 relation to the transaction.

19           B. Unless subsection A of this section applies, the liability of an  
20 issuer, nominated person or adviser for action or omission is governed by  
21 the law of the jurisdiction in which the person is located. The person is  
22 considered to be located at the address indicated in the person's  
23 undertaking. If more than one address is indicated, the person is  
24 considered to be located at the address from which the person's  
25 undertaking was issued.

26           C. For the purpose of jurisdiction, choice of law and recognition  
27 of interbranch letters of credit, but not enforcement of a judgment, all  
28 branches of a bank are considered separate juridical entities and a bank  
29 is considered to be located at the place where its relevant branch is  
30 considered to be located under ~~this~~ subsection D OF THIS SECTION.

31           D. A BRANCH OF A BANK IS CONSIDERED TO BE LOCATED AT THE ADDRESS  
32 INDICATED IN THE BRANCH'S UNDERTAKING. IF MORE THAN ONE ADDRESS IS  
33 INDICATED, THE BRANCH IS CONSIDERED TO BE LOCATED AT THE ADDRESS FROM  
34 WHICH THE UNDERTAKING WAS ISSUED.

35           ~~E.~~ E. Except as otherwise provided in this subsection, the  
36 liability of an issuer, nominated person or adviser is governed by any  
37 rules of custom or practice, such as the uniform customs and practice for  
38 documentary credits, to which the letter of credit, confirmation or other  
39 undertaking is expressly made subject. If this chapter would govern the  
40 liability of an issuer, nominated person or adviser under subsection A or  
41 B of this section, the relevant undertaking incorporates rules of custom  
42 or practice, and there is conflict between this article and those rules as  
43 applied to that undertaking, those rules govern except to the extent of  
44 any conflict with the nonvariable provisions specified in section 47-5103,  
45 subsection C.

1       ~~D.~~ F. If there is conflict between this chapter and chapter 3, 4,  
2 4A or 9 of this title, this chapter governs.

3       ~~E.~~ G. The forum for settling disputes arising out of an  
4 undertaking within this article may be chosen in the manner and with the  
5 binding effect that governing law may be chosen in accordance with  
6 subsection A of this section.

7       Sec. 36. Section 47-7102, Arizona Revised Statutes, is amended to  
8 read:

9       47-7102. Definitions and index of definitions

10       A. In this chapter, unless the context otherwise requires:

11       1. "Bailee" means a person that by a warehouse receipt, bill of  
12 lading or other document of title acknowledges possession of goods and  
13 contracts to deliver them.

14       2. "Carrier" means a person that issues a bill of lading.

15       3. "Consignee" means a person named in a bill of lading to which or  
16 to whose order the bill promises delivery.

17       4. "Consignor" means a person named in a bill of lading as the  
18 person from which the goods have been received for shipment.

19       5. "Delivery order" means a record that contains an order to  
20 deliver goods directed to a warehouse, carrier or other person that in the  
21 ordinary course of business issues warehouse receipts or bills of lading.

22       6. "Goods" means all things that are treated as movable for the  
23 purposes of a contract for storage or transportation.

24       7. "Issuer" means a bailee that issues a document of title or, in  
25 the case of an unaccepted delivery order, the person that orders the  
26 possessor of goods to deliver. Issuer includes a person for which an  
27 agent or employee purports to act in issuing a document if the agent or  
28 employee has real or apparent authority to issue documents, even if the  
29 issuer did not receive any goods, the goods were misdescribed or in any  
30 other respect the agent or employee violated the issuer's instructions.

31       8. "Person entitled under the document" means the holder, in the  
32 case of a negotiable document of title, or the person to which delivery of  
33 the goods is to be made by the terms of, or pursuant to instructions in a  
34 record under, a nonnegotiable document of title.

35       9. "Shipper" means a person that enters into a contract of  
36 transportation with a carrier.

37       ~~10. "Sign" means, with present intent to authenticate or adopt a~~  
38 ~~record:~~

39       ~~(a) to execute or adopt a tangible symbol; or~~

40       ~~(b) to attach to or logically associate with the record an~~  
41 ~~electronic sound, symbol or process.~~

42       ~~11.~~ 10. "Warehouse" means a person engaged in the business of  
43 storing goods for hire.



1 B. Definitions in other chapters applying to this chapter and the  
2 sections in which they appear are:

- 3 1. "Contract for sale". Section 47-2106.
- 4 2. "Lessee in ordinary course of business". Section 47-2A103.
- 5 3. "Receipt of goods". Section 47-2103.

6 C. In addition, chapter 1 of this title contains general  
7 definitions and principles of construction and interpretation applicable  
8 throughout this chapter.

9 Sec. 37. Section 47-7106, Arizona Revised Statutes, is amended to  
10 read:

11 47-7106. Control of electronic document of title

12 A. A person has control of an electronic document of title if a  
13 system employed for evidencing the transfer of interests in the electronic  
14 document reliably establishes that person as the person to which the  
15 electronic document was issued or transferred.

16 B. A system satisfies subsection A OF THIS SECTION and a person ~~is~~  
17 ~~deemed to have~~ HAS control of an electronic document of title if the  
18 document is created, stored and ~~assigned~~ TRANSFERRED in ~~such~~  
19 that:

20 1. A single authoritative copy of the document exists that is  
21 unique, identifiable and, except as otherwise provided in paragraphs 4, 5,  
22 and 6, unalterable;

23 2. The authoritative copy identifies the person asserting control  
24 as:

25 (a) The person to which the document was issued; or

26 (b) If the authoritative copy indicates that the document has been  
27 transferred, the person to which the document was most recently  
28 transferred;

29 3. The authoritative copy is communicated to and maintained by the  
30 person asserting control or its designated custodian;

31 4. Copies or amendments that add or change an identified ~~assignee~~  
32 TRANSFEREE of the authoritative copy can be made only with the consent of  
33 the person asserting control;

34 5. Each copy of the authoritative copy and any copy of a copy is  
35 readily identifiable as a copy that is not the authoritative copy; and

36 6. Any amendment of the authoritative copy is readily identifiable  
37 as authorized or unauthorized.

38 C. A SYSTEM SATISFIES SUBSECTION A OF THIS SECTION AND A PERSON HAS  
39 CONTROL OF AN ELECTRONIC DOCUMENT OF TITLE IF AN AUTHORITATIVE ELECTRONIC  
40 COPY OF THE DOCUMENT, A RECORD ATTACHED TO OR LOGICALLY ASSOCIATED WITH  
41 THE ELECTRONIC COPY OR A SYSTEM IN WHICH THE ELECTRONIC COPY IS RECORDED:

42 1. ENABLES THE PERSON READILY TO IDENTIFY EACH ELECTRONIC COPY AS  
43 EITHER AN AUTHORITATIVE COPY OR A NONAUTHORITATIVE COPY;



1           2. ENABLES THE PERSON READILY TO IDENTIFY ITSELF IN ANY WAY,  
2 INCLUDING BY NAME, IDENTIFYING NUMBER, CRYPTOGRAPHIC KEY, OFFICE OR  
3 ACCOUNT NUMBER, AS THE PERSON TO WHICH EACH AUTHORITATIVE ELECTRONIC COPY  
4 WAS ISSUED OR TRANSFERRED; AND  
5           3. GIVES THE PERSON EXCLUSIVE POWER, SUBJECT TO SUBSECTION D OF  
6 THIS SECTION, TO:  
7           (a) PREVENT OTHERS FROM ADDING OR CHANGING THE PERSON TO WHICH EACH  
8 AUTHORITATIVE ELECTRONIC COPY HAS BEEN ISSUED OR TRANSFERRED; AND  
9           (b) TRANSFER CONTROL OF EACH AUTHORITATIVE ELECTRONIC COPY.  
10          D. SUBJECT TO SUBSECTION E OF THIS SECTION, A POWER IS EXCLUSIVE  
11 UNDER SUBSECTION C, PARAGRAPH 3, SUBDIVISIONS (a) AND (b) EVEN IF:  
12          1. THE AUTHORITATIVE ELECTRONIC COPY, A RECORD ATTACHED TO OR  
13 LOGICALLY ASSOCIATED WITH THE AUTHORITATIVE ELECTRONIC COPY OR A SYSTEM IN  
14 WHICH THE AUTHORITATIVE ELECTRONIC COPY IS RECORDED LIMITS THE USE OF THE  
15 DOCUMENT OF TITLE OR HAS A PROTOCOL THAT IS PROGRAMMED TO CAUSE A CHANGE,  
16 INCLUDING A TRANSFER OR LOSS OF CONTROL; OR  
17          2. THE POWER IS SHARED WITH ANOTHER PERSON.  
18          E. A POWER OF A PERSON IS NOT SHARED WITH ANOTHER PERSON UNDER  
19 SUBSECTION D, PARAGRAPH 2 OF THIS SECTION AND THE PERSON'S POWER IS NOT  
20 EXCLUSIVE IF:  
21          1. THE PERSON CAN EXERCISE THE POWER ONLY IF THE POWER ALSO IS  
22 EXERCISED BY THE OTHER PERSON; AND  
23          2. THE OTHER PERSON:  
24           (a) CAN EXERCISE THE POWER WITHOUT EXERCISE OF THE POWER BY THE  
25 PERSON; OR  
26           (b) IS THE TRANSFEROR TO THE PERSON OF AN INTEREST IN THE DOCUMENT  
27 OF TITLE.  
28          F. IF A PERSON HAS THE POWERS SPECIFIED IN SUBSECTION C, PARAGRAPH  
29 3, SUBDIVISIONS (a) AND (b) OF THIS SECTION, THE POWERS ARE PRESUMED TO BE  
30 EXCLUSIVE.  
31          G. A PERSON HAS CONTROL OF AN ELECTRONIC DOCUMENT OF TITLE IF  
32 ANOTHER PERSON, OTHER THAN THE TRANSFEROR TO THE PERSON OF AN INTEREST IN  
33 THE DOCUMENT:  
34          1. HAS CONTROL OF THE DOCUMENT AND ACKNOWLEDGES THAT IT HAS CONTROL  
35 ON BEHALF OF THE PERSON; OR  
36          2. OBTAINS CONTROL OF THE DOCUMENT AFTER HAVING ACKNOWLEDGED THAT  
37 IT WILL OBTAIN CONTROL OF THE DOCUMENT ON BEHALF OF THE PERSON.  
38          H. A PERSON THAT HAS CONTROL UNDER THIS SECTION IS NOT REQUIRED TO  
39 ACKNOWLEDGE THAT IT HAS CONTROL ON BEHALF OF ANOTHER PERSON.  
40          I. IF A PERSON ACKNOWLEDGES THAT IT HAS OR WILL OBTAIN CONTROL ON  
41 BEHALF OF ANOTHER PERSON, UNLESS THE PERSON OTHERWISE AGREES OR LAW OTHER  
42 THAN THIS CHAPTER OR CHAPTER 9 OF THIS TITLE OTHERWISE PROVIDES, THE  
43 PERSON DOES NOT OWE ANY DUTY TO THE OTHER PERSON AND IS NOT REQUIRED TO  
44 CONFIRM THE ACKNOWLEDGMENT TO ANY OTHER PERSON.

1           Sec. 38. Section 47-8102, Arizona Revised Statutes, is amended to  
2 read:

3           47-8102. Definitions

4           A. In this chapter, unless the context otherwise requires:

5           1. "Adverse claim" means a claim that a claimant has a property  
6 interest in a financial asset and that it is a violation of the rights of  
7 the claimant for another person to hold, transfer or deal with the  
8 financial asset.

9           2. "Bearer form", as applied to a certificated security, means a  
10 form in which the security is payable to the bearer of the security  
11 certificate according to its terms but not by reason of an indorsement.

12           3. "Broker" means a person defined as a broker or dealer under the  
13 federal securities laws, but without excluding a bank acting in that  
14 capacity.

15           4. "Certificated security" means a security that is represented by  
16 a certificate.

17           5. "Clearing corporation" means:

18           (a) A person that is registered as a "clearing agency" under the  
19 federal securities laws;

20           (b) A federal reserve bank; or

21           (c) Any other person that provides clearance or settlement services  
22 with respect to financial assets that would require it to register as a  
23 clearing agency under the federal securities laws but for an exclusion or  
24 exemption from the registration requirement, if its activities as a  
25 clearing corporation, including promulgation of rules, are subject to  
26 regulation by a federal or state governmental authority.

27           6. "Communicate" means to:

28           (a) Send a signed ~~writing~~ RECORD; or

29           (b) Transmit information by any mechanism agreed upon by the  
30 persons transmitting and receiving the information.

31           7. "Entitlement holder" means a person identified in the records of  
32 a securities intermediary as the person having a security entitlement  
33 against the securities intermediary. If a person acquires a security  
34 entitlement by virtue of section 47-8501, subsection B, paragraph 2 or 3,  
35 that person is the entitlement holder.

36           8. "Entitlement order" means a notification communicated to a  
37 securities intermediary directing transfer or redemption of a financial  
38 asset to which the entitlement holder has a security entitlement.

39           9. "Financial asset", except as otherwise provided in section  
40 47-8103, means:

41           (a) A security;

42           (b) An obligation of a person or a share, participation or other  
43 interest in a person or in property or an enterprise of a person, which  
44 is, or is of a type, dealt in or traded on financial markets, or which is

1 recognized in any area in which it is issued or dealt in as a medium for  
2 investment; or

3 (c) Any property that is held by a securities intermediary for  
4 another person in a securities account if the securities intermediary has  
5 expressly agreed with the other person that the property is to be treated  
6 as a financial asset under this chapter. As the context requires, the  
7 term means either the interest itself or the means by which a person's  
8 claim to it is evidenced, including a certificated or uncertificated  
9 security, a security certificate or a security entitlement.

10 10. "Good faith", for purposes of the obligation of good faith in  
11 the performance or enforcement of contracts or duties within this chapter,  
12 means honesty in fact and the observance of reasonable commercial  
13 standards of fair dealing.

14 11. "Indorsement" means a signature that alone or accompanied by  
15 other words is made on a security certificate in registered form or on a  
16 separate document for the purpose of assigning, transferring or redeeming  
17 the security or granting a power to assign, transfer or redeem it.

18 12. "Instruction" means a notification communicated to the issuer of  
19 an uncertificated security which directs that the transfer of the security  
20 be registered or that the security be redeemed.

21 13. "Registered form", as applied to a certificated security, means  
22 a form in which:

23 (a) The security certificate specifies a person entitled to the  
24 security; and

25 (b) A transfer of the security may be registered upon books  
26 maintained for that purpose by or on behalf of the issuer, or the security  
27 certificate so states.

28 14. "Securities intermediary" means:

29 (a) A clearing corporation; or

30 (b) A person, including a bank or broker, that in the ordinary  
31 course of its business maintains securities accounts for others and is  
32 acting in that capacity.

33 15. "Security", except as otherwise provided in section 47-8103,  
34 means an obligation of an issuer or a share, participation or other  
35 interest in an issuer or in property or an enterprise of an issuer:

36 (a) Which is represented by a security certificate in bearer or  
37 registered form, or the transfer of which may be registered upon books  
38 maintained for that purpose by or on behalf of the issuer;

39 (b) Which is one of a class or series or by its terms is divisible  
40 into a class or series of shares, participations, interests or  
41 obligations; and

42 (c) Which:

43 (i) Is, or is of a type, dealt in or traded on securities exchanges  
44 or securities markets; or

1 (ii) Is a medium for investment and by its terms expressly provides  
2 that it is a security governed by this chapter.

3 16. "Security certificate" means a certificate representing a  
4 security.

5 17. "Security entitlement" means the rights and property interest of  
6 an entitlement holder with respect to a financial asset specified in  
7 article 5 of this chapter.

8 18. "Uncertificated security" means a security that is not  
9 represented by a certificate.

10 B. ~~Other~~ THE FOLLOWING definitions ~~applying to~~ IN this chapter and  
11 ~~the sections in which they appear are~~ OTHER CHAPTERS APPLY TO THIS  
12 CHAPTER:

13 1. "Appropriate person". Section 47-8107.

14 2. "Control". Section 47-8106.

15 3. "CONTROLLABLE ACCOUNT". SECTION 47-9102.

16 4. "CONTROLLABLE ELECTRONIC RECORD". SECTION 47-12102.

17 5. "CONTROLLABLE PAYMENT INTANGIBLE". SECTION 47-9102.

18 ~~3-~~ 6. "Delivery". Section 47-8301.

19 ~~4-~~ 7. "Investment company security". Section 47-8103.

20 ~~5-~~ 8. "Issuer". Section 47-8201.

21 ~~6-~~ 9. "Overissue". Section 47-8210.

22 ~~7-~~ 10. "Protected purchaser". Section 47-8303.

23 ~~8-~~ 11. "Securities account". Section 47-8501.

24 C. In addition, chapter 1 of this title contains general  
25 definitions and principles of construction and interpretation applicable  
26 throughout this chapter.

27 D. The characterization of a person, business or transaction for  
28 purposes of this chapter does not determine the characterization of the  
29 person, business or transaction for purposes of any other law, regulation  
30 or rule.

31 Sec. 39. Section 47-8103, Arizona Revised Statutes, is amended to  
32 read:

33 47-8103. Rules for determining whether certain obligations  
34 and interests as securities or financial assets

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

37 B. An investment company security is a security. "Investment  
38 company security" means a share or similar equity interest issued by an  
39 entity that is registered as an investment company under the federal  
40 investment company laws, an interest in a unit investment trust that is so  
41 registered, or a face-amount certificate issued by a face-amount  
42 certificate company that is so registered. Investment company security  
43 does not include an insurance policy or endowment policy or annuity  
44 contract issued by an insurance company.

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

7 D. A writing that is a security certificate is governed by this  
8 chapter and not by chapter 3 of this title, even though it also meets the  
9 requirements of that chapter. However, a negotiable instrument governed  
10 by chapter 3 of this title is a financial asset if it is held in a  
11 securities account.

12 E. An option or similar obligation issued by a clearing corporation  
13 to its participants is not a security, but is a financial asset.

14 F. A commodity contract, as defined in section 47-9102, is not a  
15 security or a financial asset.

16 G. A document of title is not a financial asset unless section  
17 47-8102, subsection A, paragraph 9, subdivision (c) applies.

18 H. A CONTROLLABLE ACCOUNT, CONTROLLABLE ELECTRONIC RECORD OR  
19 CONTROLLABLE PAYMENT INTANGIBLE IS NOT A FINANCIAL ASSET UNLESS SECTION  
20 47-8102, SUBSECTION A, PARAGRAPH 9, SUBDIVISION (c) APPLIES.

21 Sec. 40. Section 47-8106, Arizona Revised Statutes, is amended to  
22 read:

23 47-8106. Control

24 A. A purchaser has "control" of a certificated security in bearer  
25 form if the certificated security is delivered to the purchaser.

26 B. A purchaser has "control" of a certificated security in  
27 registered form if the certificated security is delivered to the  
28 purchaser, and:

29 1. The certificate is indorsed to the purchaser or in blank by an  
30 effective indorsement; or

31 2. The certificate is registered in the name of the purchaser, upon  
32 original issue or registration of transfer by the issuer.

33 C. A purchaser has "control" of an uncertificated security if:

34 1. The uncertificated security is delivered to the purchaser; or

35 2. The issuer has agreed that it will comply with instructions  
36 originated by the purchaser without further consent by the registered  
37 owner.

38 D. A purchaser has "control" of a security entitlement if:

39 1. The purchaser becomes the entitlement holder;

40 2. The securities intermediary has agreed that it will comply with  
41 entitlement orders originated by the purchaser without further consent by  
42 the entitlement holder; or

43 3. Another person, ~~has control of the security entitlement on~~  
44 ~~behalf of the purchaser or, having previously acquired control of the~~  
45 ~~security entitlement, acknowledges that it has control on behalf of the~~

1 ~~purchaser.~~ OTHER THAN THE TRANSFEROR TO THE PURCHASER OF AN INTEREST IN  
2 THE SECURITY ENTITLEMENT:

3 (a) HAS CONTROL OF THE SECURITY ENTITLEMENT AND ACKNOWLEDGES THAT  
4 IT HAS CONTROL ON BEHALF OF THE PURCHASER; OR

5 (b) OBTAINS CONTROL OF THE SECURITY ENTITLEMENT AFTER HAVING  
6 ACKNOWLEDGED THAT IT WILL OBTAIN CONTROL OF THE SECURITY ENTITLEMENT ON  
7 BEHALF OF THE PURCHASER.

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

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

18 G. An issuer or a securities intermediary may not enter into an  
19 agreement of the kind described in subsection C, paragraph 2 or subsection  
20 D, paragraph 2 without the consent of the registered owner or entitlement  
21 holder, but an issuer or a securities intermediary is not required to  
22 enter into such an agreement even though the registered owner or  
23 entitlement holder so directs. An issuer or securities intermediary that  
24 has entered into such an agreement is not required to confirm the  
25 existence of the agreement to another party unless requested to do so by  
26 the registered owner or entitlement holder.

27 H. A PERSON THAT HAS CONTROL UNDER THIS SECTION IS NOT REQUIRED TO  
28 ACKNOWLEDGE THAT IT HAS CONTROL ON BEHALF OF A PURCHASER.

29 I. IF A PERSON ACKNOWLEDGES THAT IT HAS OR WILL OBTAIN CONTROL ON  
30 BEHALF OF A PURCHASER, UNLESS THE PERSON OTHERWISE AGREES OR LAW OTHER  
31 THAN THIS CHAPTER OR CHAPTER 9 OF THIS TITLE OTHERWISE PROVIDES, THE  
32 PERSON DOES NOT OWE ANY DUTY TO THE PURCHASER AND IS NOT REQUIRED TO  
33 CONFIRM THE ACKNOWLEDGMENT TO ANY OTHER PERSON.

34 Sec. 41. Section 47-8110, Arizona Revised Statutes, is amended to  
35 read:

36 47-8110. Applicability; choice of law

37 A. The local law of the issuer's jurisdiction, as specified in  
38 subsection D, governs:

- 39 1. The validity of a security;
- 40 2. The rights and duties of the issuer with respect to registration  
41 of transfer;
- 42 3. The effectiveness of registration of transfer by the issuer;
- 43 4. Whether the issuer owes any duties to an adverse claimant to a  
44 security; and

1           5. Whether an adverse claim can be asserted against a person to  
2 whom transfer of a certificated or uncertificated security is registered  
3 or a person who obtains control of an uncertificated security.

4           B. The local law of the securities intermediary's jurisdiction, as  
5 specified in subsection F, governs:

6           1. Acquisition of a security entitlement from the securities  
7 intermediary;

8           2. The rights and duties of the securities intermediary and  
9 entitlement holder arising out of a security entitlement;

10          3. Whether the securities intermediary owes any duties to an  
11 adverse claimant to a security entitlement; and

12          4. Whether an adverse claim can be asserted against a person who  
13 acquires a security entitlement from the securities intermediary or a  
14 person who purchases a security entitlement or interest therein from an  
15 entitlement holder.

16          C. The local law of the jurisdiction in which a security  
17 certificate is located at the time of delivery governs whether an adverse  
18 claim can be asserted against a person to whom the security certificate is  
19 delivered.

20          D. "Issuer's jurisdiction" means the jurisdiction under which the  
21 issuer of the security is organized or, if permitted by the law of that  
22 jurisdiction, the law of another jurisdiction specified by the issuer. An  
23 issuer organized under the law of this state may specify the law of  
24 another jurisdiction as the law governing the matters specified in  
25 subsection A, paragraphs 2 through 5.

26          E. The following rules determine a "securities intermediary's  
27 jurisdiction" for purposes of this section:

28          1. If an agreement between the securities intermediary and its  
29 entitlement holder governing the securities account expressly provides  
30 that a particular jurisdiction is the securities intermediary's  
31 jurisdiction for purposes of this article or this chapter, that  
32 jurisdiction is the securities intermediary's jurisdiction.

33          2. If paragraph 1 of this subsection does not apply and an  
34 agreement between the securities intermediary and its entitlement holder  
35 governing the securities account expressly provides that the agreement is  
36 governed by the law of a particular jurisdiction, that jurisdiction is the  
37 securities intermediary's jurisdiction.

38          3. If neither paragraph 1 nor paragraph 2 of this subsection  
39 applies and an agreement between the securities intermediary and its  
40 entitlement holder governing the securities account expressly provides  
41 that the securities account is maintained at an office in a particular  
42 jurisdiction, that jurisdiction is the securities intermediary's  
43 jurisdiction.

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

5 5. If none of the preceding paragraphs in this subsection applies,  
6 the securities intermediary's jurisdiction is the jurisdiction in which  
7 the chief executive office of the securities intermediary is located.

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

14 G. THE LOCAL LAW OF THE ISSUER'S JURISDICTION OR THE SECURITIES  
15 INTERMEDIARY'S JURISDICTION GOVERNS A MATTER OR TRANSACTION SPECIFIED IN  
16 SUBSECTION A OR B OF THIS SECTION EVEN IF THE MATTER OR TRANSACTION DOES  
17 NOT BEAR ANY RELATION TO THE JURISDICTION.

18 Sec. 42. Section 47-8303, Arizona Revised Statutes, is amended to  
19 read:

20 47-8303. Protected purchaser

21 A. "Protected purchaser" means a purchaser of a certificated or  
22 uncertificated security, or of an interest therein, who:

- 23 1. Gives value;
- 24 2. Does not have notice of any adverse claim to the security; and
- 25 3. Obtains control of the certificated or uncertificated security.

26 B. ~~In addition to acquiring the rights of a purchaser,~~ A protected  
27 purchaser also acquires its interest in the security free of any adverse  
28 claim.

29 Sec. 43. Section 47-9102, Arizona Revised Statutes, is amended to  
30 read:

31 47-9102. Definitions and index of definitions

32 A. In this chapter, unless the context otherwise requires:

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

36 2. "Account", except as used in "account for", "ACCOUNT STATEMENT",  
37 "ACCOUNT TO", "COMMODITY ACCOUNT" IN PARAGRAPH 15 OF THIS SUBSECTION,  
38 "CUSTOMER'S ACCOUNT", "DEPOSIT ACCOUNT" IN PARAGRAPH 32 OF THIS  
39 SUBSECTION, "ON ACCOUNT OF" AND "STATEMENT OF ACCOUNT", means a right to  
40 payment of a monetary obligation, whether or not earned by performance,  
41 for property that has been or is to be sold, leased, licensed, assigned or  
42 otherwise disposed of, for services rendered or to be rendered, for a  
43 policy of insurance issued or to be issued, for a secondary obligation  
44 incurred or to be incurred, for energy provided or to be provided, for the  
45 use or hire of a vessel under a charter or other contract, arising out of



1 the use of a credit or charge card or information contained on or for use  
2 with the card or as winnings in a lottery or other game of chance operated  
3 or sponsored by a state, a governmental unit of a state or a person  
4 licensed or authorized to operate the game by a state or governmental unit  
5 of a state. Account includes CONTROLLABLE ACCOUNTS AND  
6 health-care-insurance receivables. Account does not include ~~rights to~~  
7 ~~payment evidenced by chattel paper or an instrument~~ CHATTEL PAPER,  
8 commercial tort claims, deposit accounts, investment property,  
9 letter-of-credit rights or letters of credit or rights to payment for  
10 money or funds advanced or sold, other than rights arising out of the use  
11 of a credit or charge card or information contained on or for use with the  
12 card OR RIGHTS TO PAYMENT EVIDENCED BY AN INSTRUMENT.

13 3. "Account debtor" means a person obligated on an account, chattel  
14 paper or general intangible but does not include persons obligated to pay  
15 a negotiable instrument, even if the NEGOTIABLE instrument ~~constitutes~~  
16 ~~part of~~ EVIDENCES chattel paper.

17 4. "Accounting", except as used in "accounting for", means a  
18 record:

- 19 (a) ~~Authenticated~~ SIGNED by a secured party;  
20 (b) Indicating the aggregate unpaid secured obligations as of a  
21 date not more than thirty-five days earlier or thirty-five days later than  
22 the date of the record; and  
23 (c) Identifying the components of the obligations in reasonable  
24 detail.

25 5. "Agricultural lien" means an interest, other than a security  
26 interest, in farm products:

- 27 (a) That secures payment or performance of an obligation for:  
28 (i) Goods or services furnished in connection with a debtor's  
29 farming operation; or  
30 (ii) Rent on real property leased by a debtor in connection with  
31 its farming operation;  
32 (b) That is created by statute in favor of a person that:  
33 (i) In the ordinary course of its business furnished goods or  
34 services to a debtor in connection with a debtor's farming operation; or  
35 (ii) Leased real property to a debtor in connection with the  
36 debtor's farming operation; and  
37 (c) Whose effectiveness does not depend on the person's possession  
38 of the personal property.

39 6. "As-extracted collateral" means:

- 40 (a) Oil, gas or other minerals that are subject to a security  
41 interest that:  
42 (i) Is created by a debtor having an interest in the minerals  
43 before extraction; and  
44 (ii) Attaches to the minerals as extracted; or

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

4 ~~7. "Authenticate" means:~~

5 ~~(a) To sign, or~~

6 ~~(b) With present intent to adopt or accept a record, to attach to~~  
7 ~~or logically associate with the record an electronic sound, symbol or~~  
8 ~~process.~~

9 7. "ASSIGNEE", EXCEPT AS USED IN "ASSIGNEE FOR BENEFIT OF  
10 CREDITORS", MEANS A PERSON IN WHOSE FAVOR A SECURITY INTEREST THAT SECURES  
11 AN OBLIGATION IS CREATED OR PROVIDED FOR UNDER A SECURITY AGREEMENT,  
12 WHETHER OR NOT THE OBLIGATION IS OUTSTANDING OR TO WHICH AN ACCOUNT,  
13 CHATTEL PAPER, PAYMENT INTANGIBLE OR PROMISSORY NOTE HAS BEEN SOLD.  
14 ASSIGNEE INCLUDES A PERSON TO WHICH A SECURITY INTEREST HAS BEEN  
15 TRANSFERRED BY A SECURED PARTY.

16 8. "ASSIGNOR" MEANS A PERSON THAT UNDER A SECURITY AGREEMENT  
17 CREATES OR PROVIDES FOR A SECURITY INTEREST THAT SECURES AN OBLIGATION OR  
18 A PERSON THAT SELLS AN ACCOUNT, CHATTEL PAPER, PAYMENT INTANGIBLE OR  
19 PROMISSORY NOTE. ASSIGNOR INCLUDES A SECURED PARTY THAT HAS TRANSFERRED A  
20 SECURITY INTEREST TO ANOTHER PERSON.

21 ~~8.~~ 9. "Bank" means an organization that is engaged in the business  
22 of banking. Bank includes savings banks, savings and loan associations,  
23 credit unions and trust companies.

24 ~~9.~~ 10. "Cash proceeds" means proceeds that are money, checks,  
25 deposit accounts or the like.

26 ~~10.~~ 11. "Certificate of title" means a certificate of title with  
27 respect to which a statute provides for the security interest in question  
28 to be indicated on the certificate as a condition or result of the  
29 security interest's obtaining priority over the rights of a lien creditor  
30 with respect to the collateral. Certificate of title includes another  
31 record maintained as an alternative to a certificate of title by the  
32 governmental unit that issues certificates of title if a statute permits  
33 the security interest in question to be indicated on the record as a  
34 condition or result of the security interest's obtaining priority over the  
35 rights of a lien creditor with respect to the collateral.

36 ~~11. "Chattel paper" means a record or records that evidence both a~~  
37 ~~monetary obligation and a security interest in specific goods, a security~~  
38 ~~interest in specific goods and software used in the goods, a security~~  
39 ~~interest in specific goods and license of software used in the goods, a~~  
40 ~~lease of specific goods or a lease of specific goods and license of~~  
41 ~~software used in the goods. In this paragraph, "monetary obligation"~~  
42 ~~means a monetary obligation secured by the goods or owed under a lease of~~  
43 ~~the goods and includes a monetary obligation with respect to software used~~  
44 ~~in the goods. Chattel paper does not include charters or other contracts~~  
45 ~~involving the use or hire of a vessel or records that evidence a right to~~

~~1 payment arising out of the use of a credit or charge card or information  
2 contained on or for use with the card. If a transaction is evidenced by  
3 records that include an instrument or series of instruments, the group of  
4 records taken together constitutes chattel paper.~~

5 12. "CHATEL PAPER" MEANS:

6 (a) A RIGHT TO PAYMENT OF A MONETARY OBLIGATION SECURED BY SPECIFIC  
7 GOODS, IF THE RIGHT TO PAYMENT AND SECURITY AGREEMENT ARE EVIDENCED BY A  
8 RECORD; OR

9 (b) A RIGHT TO PAYMENT OF A MONETARY OBLIGATION OWED BY A LESSEE  
10 UNDER A LEASE AGREEMENT WITH RESPECT TO SPECIFIC GOODS AND A MONETARY  
11 OBLIGATION OWED BY THE LESSEE IN CONNECTION WITH THE TRANSACTION GIVING  
12 RISE TO THE LEASE, IF:

13 (i) THE RIGHT TO PAYMENT AND LEASE AGREEMENT ARE EVIDENCED BY A  
14 RECORD; AND

15 (ii) THE PREDOMINANT PURPOSE OF THE TRANSACTION GIVING RISE TO THE  
16 LEASE WAS TO GIVE THE LESSEE THE RIGHT TO POSSESSION AND USE OF THE  
17 GOODS.

18 CHATEL PAPER DOES NOT INCLUDE A RIGHT TO PAYMENT ARISING OUT OF A CHARTER  
19 OR OTHER CONTRACT INVOLVING THE USE OR HIRE OF A VESSEL OR A RIGHT TO  
20 PAYMENT ARISING OUT OF THE USE OF A CREDIT OR CHARGE CARD OR INFORMATION  
21 CONTAINED ON OR FOR USE WITH THE CARD.

22 ~~12.~~ 13. "Collateral" means the property subject to a security  
23 interest or agricultural lien. Collateral includes:

24 (a) Proceeds to which a security interest attaches;

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

27 (c) Goods that are the subject of a consignment.

28 ~~13.~~ 14. "Commercial tort claim" means a claim arising in tort with  
29 respect to which:

30 (a) The claimant is an organization; or

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

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

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

36 ~~14.~~ 15. "Commodity account" means an account maintained by a  
37 commodity intermediary in which a commodity contract is carried for a  
38 commodity customer.

39 ~~15.~~ 16. "Commodity contract" means a commodity futures contract,  
40 an option on a commodity futures contract, a commodity option or another  
41 contract if the contract or option is:

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

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

4 ~~16.~~ 17. "Commodity customer" means a person for which a commodity  
5 intermediary carries a commodity contract on its books.

6 ~~17.~~ 18. "Commodity intermediary" means a person that:

7 (a) Is registered as a futures commission merchant under federal  
8 commodities law; or

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

12 ~~18.~~ 19. "Communicate" means:

13 (a) To send a written or other tangible record;

14 (b) To transmit a record by any means agreed on by the persons  
15 sending and receiving the record; or

16 (c) In the case of transmission of a record to or by a filing  
17 office, to transmit a record by any means prescribed by filing office  
18 rule.

19 ~~19.~~ 20. "Consignee" means a merchant to which goods are delivered  
20 in a consignment.

21 ~~20.~~ 21. "Consignment" means a transaction, regardless of its form,  
22 in which a person delivers goods to a merchant for the purpose of sale  
23 and:

24 (a) The merchant:

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

27 (ii) Is not an auctioneer; and

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

30 (b) With respect to each delivery, the aggregate value of the goods  
31 is one thousand dollars or more at the time of delivery;

32 (c) The goods are not consumer goods immediately before delivery;  
33 and

34 (d) The transaction does not create a security interest that  
35 secures an obligation.

36 ~~21.~~ 22. "Consignor" means a person that delivers goods to a  
37 consignee in a consignment.

38 ~~22.~~ 23. "Consumer debtor" means a debtor in a consumer  
39 transaction.

40 ~~23.~~ 24. "Consumer goods" means goods that are used or bought for  
41 use primarily for personal, family or household purposes.

42 ~~24.~~ 25. "Consumer goods transaction" means a consumer transaction  
43 in which:

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

1 (b) A security interest in consumer goods secures the obligation.  
2 ~~25.~~ 26. "Consumer obligor" means an obligor who is an individual  
3 and who incurred the obligation as part of a transaction entered into  
4 primarily for personal, family or household purposes.  
5 ~~26.~~ 27. "Consumer transaction" means a transaction in which an  
6 individual incurs an obligation primarily for personal, family or  
7 household purposes, a security interest secures the obligation and the  
8 collateral is held or acquired primarily for personal, family or household  
9 purposes. Consumer transaction includes consumer goods transactions.  
10 ~~27.~~ 28. "Continuation statement" means an amendment of a financing  
11 statement that:  
12 (a) Identifies, by its file number, the initial financing statement  
13 to which it relates; and  
14 (b) Indicates that it is a continuation statement for, or that it  
15 is filed to continue the effectiveness of, the identified financing  
16 statement.  
17 29. "CONTROLLABLE ACCOUNT" MEANS AN ACCOUNT EVIDENCED BY A  
18 CONTROLLABLE ELECTRONIC RECORD THAT PROVIDES THAT THE ACCOUNT DEBTOR  
19 UNDERTAKES TO PAY THE PERSON THAT HAS CONTROL UNDER SECTION 47-12105 OF  
20 THE CONTROLLABLE ELECTRONIC RECORD.  
21 30. "CONTROLLABLE PAYMENT INTANGIBLE" MEANS A PAYMENT INTANGIBLE  
22 EVIDENCED BY A CONTROLLABLE ELECTRONIC RECORD THAT PROVIDES THAT THE  
23 ACCOUNT DEBTOR UNDERTAKES TO PAY THE PERSON THAT HAS CONTROL UNDER SECTION  
24 47-12105 OF THE CONTROLLABLE ELECTRONIC RECORD.  
25 ~~28.~~ 31. "Debtor" means:  
26 (a) A person having an interest, other than a security interest or  
27 other lien, in the collateral, whether or not the person is an obligor;  
28 (b) A seller of accounts, chattel paper, payment intangibles or  
29 promissory notes; or  
30 (c) A consignee.  
31 ~~29.~~ 32. "Deposit account" means a demand, time, savings, passbook  
32 or similar account maintained with a bank. Deposit account does not  
33 include investment property or accounts evidenced by an instrument.  
34 ~~30.~~ 33. "Document" means a document of title or a receipt of the  
35 type described in section 47-7201, subsection B.  
36 ~~31. "Electronic chattel paper" means chattel paper evidenced by a~~  
37 ~~record or records consisting of information stored in an electronic~~  
38 ~~medium.~~  
39 34. "ELECTRONIC MONEY" MEANS MONEY IN AN ELECTRONIC FORM.  
40 ~~32.~~ 35. "Encumbrance" means a right, other than an ownership  
41 interest, in real property. Encumbrance includes mortgages and other  
42 liens on real property.  
43 ~~33.~~ 36. "Equipment" means goods other than inventory, farm  
44 products or consumer goods.

1           ~~34.~~ 37. "Farm products" means goods, other than standing timber,  
2 with respect to which the debtor is engaged in a farming operation and  
3 that are:

4           (a) Crops grown, growing or to be grown, including:

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

6           (ii) Aquatic goods produced in aquacultural operations;

7           (b) Livestock, born or unborn, including aquatic goods produced in  
8 aquacultural operations;

9           (c) Supplies used or produced in a farming operation; or

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

11           ~~35.~~ 38. "Farming operation" means raising, cultivating,  
12 propagating, fattening, grazing or any other farming, livestock or  
13 aquacultural operation.

14           ~~36.~~ 39. "File number" means the number assigned to an initial  
15 financing statement pursuant to section 47-9519, subsection A.

16           ~~37.~~ 40. "Filing office" means an office designated in section  
17 47-9501 as the place to file a financing statement.

18           ~~38.~~ 41. "Filing office rule" means a rule adopted pursuant to  
19 section 47-9526.

20           ~~39.~~ 42. "Financing statement" means a record or records composed  
21 of an initial financing statement and any filed record relating to the  
22 initial financing statement.

23           ~~40.~~ 43. "Fixture filing" means the filing of a financing statement  
24 covering goods that are or are to become fixtures and satisfying section  
25 47-9502, subsections A and B. Fixture filing includes the filing of a  
26 financing statement covering goods of a transmitting utility that are or  
27 are to become fixtures.

28           ~~41.~~ 44. "Fixtures" means goods that have become so related to  
29 particular real property that an interest in them arises under real  
30 property law.

31           ~~42.~~ 45. "General intangible" means any personal property,  
32 including things in action, other than accounts, chattel paper, commercial  
33 tort claims, deposit accounts, documents, goods, instruments, investment  
34 property, letter-of-credit rights, letters of credit, money and oil, gas  
35 or other minerals before extraction. General intangible includes  
36 **CONTROLLABLE ELECTRONIC RECORDS**, payment intangibles and software.

37           ~~43.~~ 46. "Good faith" means honesty in fact and the observance of  
38 reasonable commercial standards of fair dealing.

39           ~~44.~~ 47. "Goods" means all things that are movable when a security  
40 interest attaches.

41           (a) Goods includes:

42           (i) Fixtures;

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

45           (iii) The unborn young of animals;

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

3 (v) Manufactured homes.

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

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

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

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

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

17 ~~45.~~ 48. "Governmental unit" means a subdivision, agency,  
18 department, county, parish, municipality or other unit of the government  
19 of the United States, a state or a foreign country. Governmental unit  
20 includes an organization having a separate corporate or legal existence if  
21 the organization is eligible to issue or incur obligations the interest on  
22 which is excluded from gross income for federal income tax purposes.

23 ~~46.~~ 49. "Health-care-insurance receivable" means an interest in or  
24 claim under a policy of insurance that is a right to payment of a monetary  
25 obligation for health care goods or services provided.

26 ~~47.~~ 50. "Instrument" means a negotiable instrument or any other  
27 writing that evidences a right to the payment of a monetary obligation, is  
28 not itself a security agreement or lease and is of a type that in the  
29 ordinary course of business is transferred by delivery with any necessary  
30 indorsement or assignment. Instrument does not include:

31 (a) Investment property;

32 (b) Letters of credit; or

33 (c) Writings that evidence a right to payment arising out of the  
34 use of a credit or charge card or information contained on or for use with  
35 the card.

36 (d) WRITINGS THAT EVIDENCE CHATTEL PAPER.

37 ~~48.~~ 51. "Inventory" means goods, other than farm products, that:

38 (a) Are leased by a person as lessor;

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

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

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

1           ~~49.~~ 52. "Investment property" means a security, whether  
2           certificated or uncertificated, security entitlement, securities account,  
3           commodity contract or commodity account.

4           ~~50.~~ 53. "Jurisdiction of organization", with respect to a  
5           registered organization, means the jurisdiction under whose law the  
6           organization is organized.

7           ~~51.~~ 54. "Letter-of-credit right" means a right to payment or  
8           performance under a letter of credit, whether or not the beneficiary has  
9           demanded or is at the time entitled to demand payment or performance.  
10          Letter-of-credit right does not include the right of a beneficiary to  
11          demand payment or performance under a letter of credit.

12          ~~52.~~ 55. "Lien creditor" means:

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

15                 (b) An assignee for benefit of creditors from the time of  
16                 assignment;

17                 (c) A trustee in bankruptcy from the date of the filing of the  
18                 petition; or

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

20          ~~53.~~ 56. "Manufactured home" means a structure that is  
21          transportable in one or more sections and that, in the traveling mode, is  
22          eight body feet or more in width or forty body feet or more in length, or,  
23          when erected on site, is three hundred twenty or more square feet, and  
24          that is built on a permanent chassis and designed to be used as a dwelling  
25          with or without a permanent foundation when connected to the required  
26          utilities, and includes the plumbing, heating, air conditioning and  
27          electrical systems contained therein. Manufactured home includes any  
28          structure that meets all of the requirements of this paragraph except the  
29          size requirements and with respect to which the manufacturer voluntarily  
30          files a certification required by the United States secretary of housing  
31          and urban development and complies with the standards established under  
32          title 42 of the United States Code.

33          ~~54.~~ 57. "Manufactured home transaction" means a secured  
34          transaction:

35                 (a) That creates a purchase money security interest in a  
36                 manufactured home, other than a manufactured home held as inventory; or

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

39          58. "MONEY" HAS THE MEANING IN SECTION 47-1201, SUBSECTION B,  
40          PARAGRAPH 25, BUT DOES NOT INCLUDE A DEPOSIT ACCOUNT OR MONEY IN AN  
41          ELECTRONIC FORM THAT CANNOT BE SUBJECTED TO CONTROL UNDER SECTION 47-9105,  
42          SUBSECTION A.

43          ~~55.~~ 59. "Mortgage" means a consensual interest in real property,  
44          including fixtures, that secures payment or performance of an obligation.



1           ~~56.~~ 60. "New debtor" means a person that becomes bound as debtor  
2 under section 47-9203, subsection D by a security agreement previously  
3 entered into by another person.

4           ~~57.~~ 61. "New value" means money, money's worth in property,  
5 services or new credit or release by a transferee of an interest in  
6 property previously transferred to the transferee. New value does not  
7 include an obligation substituted for another obligation.

8           ~~58.~~ 62. "Noncash proceeds" means proceeds other than cash  
9 proceeds.

10          ~~59.~~ 63. "Obligor" means a person that, with respect to an  
11 obligation secured by a security interest in or an agricultural lien on  
12 the collateral, owes payment or other performance of the obligation, has  
13 provided property other than the collateral to secure payment or other  
14 performance of the obligation or is otherwise accountable in whole or in  
15 part for payment or other performance of the obligation. Obligor does not  
16 include issuers or nominated persons under a letter of credit.

17          ~~60.~~ 64. "Original debtor", except as used in section 47-9310,  
18 subsection C, means a person that, as debtor, entered into a security  
19 agreement to which a new debtor has become bound under section 47-9203,  
20 subsection D.

21          ~~61.~~ 65. "Payment intangible" means a general intangible under  
22 which the account debtor's principal obligation is a monetary obligation.  
23 **PAYMENT INTANGIBLE INCLUDES A CONTROLLABLE PAYMENT INTANGIBLE.**

24          ~~62.~~ 66. "Person related to", with respect to an individual, means:

25           (a) The spouse of the individual;

26           (b) A brother, brother-in-law, sister or sister-in-law of the  
27 individual;

28           (c) An ancestor or lineal descendant of the individual or the  
29 individual's spouse; or

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

32          ~~63.~~ 67. "Person related to", with respect to an organization,  
33 means:

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

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

38           (c) An officer or director of, or a person performing similar  
39 functions with respect to, a person described in subdivision (a) of this  
40 paragraph;

41           (d) The spouse of an individual described in subdivision (a), (b)  
42 or (c) of this paragraph; or

43           (e) An individual who is related by blood or marriage to an  
44 individual described in subdivision (a), (b), (c) or (d) of this paragraph  
45 and who shares the same home with the individual.

1           ~~64.~~ 68. "Proceeds", except as used in section 47-9609, subsection  
2 B, means the following property:

3           (a) Whatever is acquired on the sale, lease, license, exchange or  
4 other disposition of collateral;

5           (b) Whatever is collected on, or distributed on account of,  
6 collateral;

7           (c) Rights arising out of collateral;

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

11           (e) To the extent of the value of collateral and to the extent  
12 payable to the debtor or the secured party, insurance payable by reason of  
13 the loss or nonconformity of, defects or infringement of rights in, or  
14 damage to the collateral.

15           ~~65.~~ 69. "Promissory note" means an instrument that evidences a  
16 promise to pay a monetary obligation, does not evidence an order to pay  
17 and does not contain an acknowledgment by a bank that the bank has  
18 received for deposit a sum of money or funds.

19           ~~66.~~ 70. "Proposal" means a record ~~authenticated~~ SIGNED by a  
20 secured party that includes the terms on which the secured party is  
21 willing to accept collateral in full or partial satisfaction of the  
22 obligation it secures pursuant to sections 47-9620, 47-9621 and 47-9622.

23           ~~67.~~ 71. "Public organic record" means a record that is available  
24 to the public for inspection and that is:

25           (a) A record consisting of the record initially filed with or  
26 issued by a state or the United States to form or organize an organization  
27 and any record filed with or issued by the state or the United States that  
28 amends or restates the initial record;

29           (b) An organic record of a business trust consisting of the record  
30 initially filed with a state and any record filed with the state that  
31 amends or restates the initial record, if a statute of the state governing  
32 business trusts requires that the record be filed with the state; or

33           (c) A record consisting of legislation enacted by the legislature  
34 of a state or the Congress of the United States that forms or organizes an  
35 organization, any record amending the legislation and any record filed  
36 with or issued by the state or the United States that amends or restates  
37 the name of the organization.

38           ~~68.~~ 72. "Pursuant to commitment", with respect to an advance made  
39 or other value given by a secured party, means pursuant to the secured  
40 party's obligation, whether or not a subsequent event of default or other  
41 event not within the secured party's control has relieved or may relieve  
42 the secured party from its obligation.

1           ~~69.~~ 73. "Record", except as used in "for record", "of record",  
2 "record or legal title", and "record owner", means information that is  
3 inscribed on a tangible medium or that is stored in an electronic or other  
4 medium and is retrievable in perceivable form.

5           ~~70.~~ 74. "Registered organization" means an organization formed or  
6 organized solely under the law of a single state or the United States by  
7 the filing of a public organic record with, the issuance of a public  
8 organic record by or the enactment of legislation by the state or the  
9 United States. Registered organization includes a business trust that is  
10 formed or organized under the law of a single state if a statute of the  
11 state governing business trusts requires that the business trust's organic  
12 record be filed with the state.

13           ~~71.~~ 75. "Secondary obligor" means an obligor to the extent that:  
14           (a) The obligor's obligation is secondary; or  
15           (b) The obligor has a right of recourse with respect to an  
16 obligation secured by collateral against the debtor, another obligor or  
17 property of either.

18           ~~72.~~ 76. "Secured party" means:  
19           (a) A person in whose favor a security interest is created or  
20 provided for under a security agreement, whether or not any obligation to  
21 be secured is outstanding;  
22           (b) A person that holds an agricultural lien;  
23           (c) A consignor;  
24           (d) A person to which accounts, chattel paper, payment intangibles  
25 or promissory notes have been sold;  
26           (e) A trustee, indenture trustee, agent, collateral agent or other  
27 representative in whose favor a security interest or agricultural lien is  
28 created or provided for; or  
29           (f) A person that holds a security interest arising under section  
30 47-2401, 47-2505, 47-2711, 47-2A508, 47-4210 or 47-5118.

31           ~~73.~~ 77. "Security agreement" means an agreement that creates or  
32 provides for a security interest.

33           ~~74. "Send", in connection with a record or notification, means:~~  
34           ~~(a) To deposit in the mail, deliver for transmission or transmit by~~  
35 ~~any other usual means of communication, with postage or cost of~~  
36 ~~transmission provided for, addressed to any address reasonable under the~~  
37 ~~circumstances; or~~  
38           ~~(b) To cause the record or notification to be received within the~~  
39 ~~time that it would have been received if properly sent under subdivision~~  
40 ~~(a) of this paragraph.~~

41           ~~75.~~ 78. "Software" means a computer program and any supporting  
42 information provided in connection with a transaction relating to the  
43 program. Software does not include a computer program that is included in  
44 the definition of goods.



1	<del>15.</del>	16.	"Lease"	Section 47-2A103
2	<del>16.</del>	17.	"Lease agreement"	Section 47-2A103
3	<del>17.</del>	18.	"Lease contract"	Section 47-2A103
4	<del>18.</del>	19.	"Leasehold interest"	Section 47-2A103
5	<del>19.</del>	20.	"Lessee"	Section 47-2A103
6	<del>20.</del>	21.	"Lessee in ordinary course of business"	Section 47-2A103
7				
8	<del>21.</del>	22.	"Lessor"	Section 47-2A103
9	<del>22.</del>	23.	"Lessor's residual interest"	Section 47-2A103
10	<del>23.</del>	24.	"Letter of credit"	Section 47-5102
11	<del>24.</del>	25.	"Merchant"	Section 47-2104
12	<del>25.</del>	26.	"Negotiable instrument"	Section 47-3104
13	<del>26.</del>	27.	"Nominated person"	Section 47-5102
14	<del>27.</del>	28.	"Note"	Section 47-3104
15	<del>28.</del>	29.	"Proceeds of a letter of credit"	Section 47-5114
16		30.	"PROTECTED PURCHASER"	SECTION 47-8303
17	<del>29.</del>	31.	"Prove"	Section 47-3103
18		32.	"QUALIFYING PURCHASER"	SECTION 47-12102
19	<del>30.</del>	33.	"Sale"	Section 47-2106
20	<del>31.</del>	34.	"Securities account"	Section 47-8501
21	<del>32.</del>	35.	"Securities intermediary"	Section 47-8102
22	<del>33.</del>	36.	"Security"	Section 47-8102
23	<del>34.</del>	37.	"Security certificate"	Section 47-8102
24	<del>35.</del>	38.	"Security entitlement"	Section 47-8102
25	<del>36.</del>	39.	"Uncertificated security"	Section 47-8102

26 C. In addition, chapter 1 of this title contains general  
27 definitions and principles of construction and interpretation applicable  
28 throughout this chapter.

29 Sec. 44. Section 47-9104, Arizona Revised Statutes, is amended to  
30 read:

31 47-9104. Control of deposit account

32 A. A secured party has control of a deposit account if:

33 1. The secured party is the bank with which the deposit account is  
34 maintained;

35 2. The debtor, secured party and bank have agreed in ~~an~~  
36 ~~authenticated~~ A SIGNED record that the bank will comply with instructions  
37 originated by the secured party directing disposition of the funds in the  
38 deposit account without further consent by the debtor; ~~or~~

39 3. The secured party becomes the bank's customer with respect to  
40 the deposit account; ~~or~~ OR

41 4. ANOTHER PERSON, OTHER THAN THE DEBTOR:

42 (a) HAS CONTROL OF THE DEPOSIT ACCOUNT AND ACKNOWLEDGES THAT IT HAS  
43 CONTROL ON BEHALF OF THE SECURED PARTY; OR

1 (b) OBTAINS CONTROL OF THE DEPOSIT ACCOUNT AFTER HAVING  
2 ACKNOWLEDGED THAT IT WILL OBTAIN CONTROL OF THE DEPOSIT ACCOUNT ON BEHALF  
3 OF THE SECURED PARTY.

4 B. A secured party that has satisfied subsection A has control,  
5 even if the debtor retains the right to direct the disposition of funds  
6 from the deposit account.

7 Sec. 45. Repeal

8 Section 47-9105, Arizona Revised Statutes, is repealed.

9 Sec. 46. Title 47, chapter 9, article 1, Arizona Revised Statutes,  
10 is amended by adding a new section 47-9105 and sections 47-9105A, 47-9107A  
11 and 47-9107B, to read:

12 47-9105. CONTROL OF ELECTRONIC COPY OF RECORD EVIDENCING  
13 CHATTEL PAPER

14 A. A PURCHASER HAS CONTROL OF AN AUTHORITATIVE ELECTRONIC COPY OF A  
15 RECORD EVIDENCING CHATTEL PAPER IF A SYSTEM EMPLOYED FOR EVIDENCING THE  
16 ASSIGNMENT OF INTERESTS IN THE CHATTEL PAPER RELIABLY ESTABLISHES THE  
17 PURCHASER AS THE PERSON TO WHICH THE AUTHORITATIVE ELECTRONIC COPY WAS  
18 ASSIGNED.

19 B. A SYSTEM SATISFIES SUBSECTION A OF THIS SECTION IF THE RECORD OR  
20 RECORDS EVIDENCING THE CHATTEL PAPER ARE CREATED, STORED AND ASSIGNED IN A  
21 MANNER THAT:

22 1. A SINGLE AUTHORITATIVE COPY OF THE RECORD OR RECORDS EXISTS  
23 WHICH IS UNIQUE, IDENTIFIABLE AND, EXCEPT AS OTHERWISE PROVIDED IN  
24 PARAGRAPHS 4, 5 AND 6 OF THIS SUBSECTION, UNALTERABLE;

25 2. THE AUTHORITATIVE COPY IDENTIFIES THE PURCHASER AS THE ASSIGNEE  
26 OF THE RECORD OR RECORDS;

27 3. THE AUTHORITATIVE COPY IS COMMUNICATED TO AND MAINTAINED BY THE  
28 PURCHASER OR ITS DESIGNATED CUSTODIAN;

29 4. COPIES OR AMENDMENTS THAT ADD OR CHANGE AN IDENTIFIED ASSIGNEE  
30 OF THE AUTHORITATIVE COPY CAN BE MADE ONLY WITH THE CONSENT OF THE  
31 PURCHASER;

32 5. EACH COPY OF THE AUTHORITATIVE COPY AND ANY COPY OF A COPY IS  
33 READILY IDENTIFIABLE AS A COPY THAT IS NOT THE AUTHORITATIVE COPY; AND

34 6. ANY AMENDMENT OF THE AUTHORITATIVE COPY IS READILY IDENTIFIABLE  
35 AS AUTHORIZED OR UNAUTHORIZED.

36 C. A SYSTEM SATISFIES SUBSECTION A OF THIS SECTION, AND A PURCHASER  
37 HAS CONTROL OF AN AUTHORITATIVE ELECTRONIC COPY OF A RECORD EVIDENCING  
38 CHATTEL PAPER, IF THE ELECTRONIC COPY, A RECORD ATTACHED TO OR LOGICALLY  
39 ASSOCIATED WITH THE ELECTRONIC COPY OR A SYSTEM IN WHICH THE ELECTRONIC  
40 COPY IS RECORDED:

41 1. ENABLES THE PURCHASER READILY TO IDENTIFY EACH ELECTRONIC COPY  
42 AS EITHER AN AUTHORITATIVE COPY OR A NONAUTHORITATIVE COPY;

1           2. ENABLES THE PURCHASER READILY TO IDENTIFY ITSELF IN ANY WAY,  
2 INCLUDING BY NAME, IDENTIFYING NUMBER, CRYPTOGRAPHIC KEY, OFFICE OR  
3 ACCOUNT NUMBER, AS THE ASSIGNEE OF THE AUTHORITATIVE ELECTRONIC COPY; AND  
4           3. GIVES THE PURCHASER EXCLUSIVE POWER, SUBJECT TO SUBSECTION D OF  
5 THIS SECTION, TO:  
6           (a) PREVENT OTHERS FROM ADDING OR CHANGING AN IDENTIFIED ASSIGNEE  
7 OF THE AUTHORITATIVE ELECTRONIC COPY; AND  
8           (b) TRANSFER CONTROL OF THE AUTHORITATIVE ELECTRONIC COPY.  
9           D. SUBJECT TO SUBSECTION E OF THIS SECTION, A POWER IS EXCLUSIVE  
10 UNDER SUBSECTION C, PARAGRAPH 3, SUBDIVISIONS (a) AND (b) OF THIS SECTION  
11 EVEN IF:  
12           1. THE AUTHORITATIVE ELECTRONIC COPY, A RECORD ATTACHED TO OR  
13 LOGICALLY ASSOCIATED WITH THE AUTHORITATIVE ELECTRONIC COPY OR A SYSTEM IN  
14 WHICH THE AUTHORITATIVE ELECTRONIC COPY IS RECORDED LIMITS THE USE OF THE  
15 AUTHORITATIVE ELECTRONIC COPY OR HAS A PROTOCOL PROGRAMMED TO CAUSE A  
16 CHANGE, INCLUDING A TRANSFER OR LOSS OF CONTROL; OR  
17           2. THE POWER IS SHARED WITH ANOTHER PERSON.  
18           E. A POWER OF A PURCHASER IS NOT SHARED WITH ANOTHER PERSON UNDER  
19 SUBSECTION D, PARAGRAPH 2 OF THIS SECTION AND THE PURCHASER'S POWER IS NOT  
20 EXCLUSIVE IF:  
21           1. THE PURCHASER CAN EXERCISE THE POWER ONLY IF THE POWER ALSO IS  
22 EXERCISED BY THE OTHER PERSON; AND  
23           2. THE OTHER PERSON:  
24           (a) CAN EXERCISE THE POWER WITHOUT EXERCISE OF THE POWER BY THE  
25 PURCHASER; OR  
26           (b) IS THE TRANSFEROR TO THE PURCHASER OF AN INTEREST IN THE  
27 CHATTEL PAPER.  
28           F. IF A PURCHASER HAS THE POWERS SPECIFIED IN SUBSECTION C,  
29 PARAGRAPH 3, SUBDIVISIONS (a) AND (b) OF THIS SECTION, THE POWERS ARE  
30 PRESUMED TO BE EXCLUSIVE.  
31           G. A PURCHASER HAS CONTROL OF AN AUTHORITATIVE ELECTRONIC COPY OF A  
32 RECORD EVIDENCING CHATTEL PAPER IF ANOTHER PERSON, OTHER THAN THE  
33 TRANSFEROR TO THE PURCHASER OF AN INTEREST IN THE CHATTEL PAPER:  
34           1. HAS CONTROL OF THE AUTHORITATIVE ELECTRONIC COPY AND  
35 ACKNOWLEDGES THAT IT HAS CONTROL ON BEHALF OF THE PURCHASER; OR  
36           2. OBTAINS CONTROL OF THE AUTHORITATIVE ELECTRONIC COPY AFTER  
37 HAVING ACKNOWLEDGED THAT IT WILL OBTAIN CONTROL OF THE ELECTRONIC COPY ON  
38 BEHALF OF THE PURCHASER.  
39           47-9105A. CONTROL OF ELECTRONIC MONEY  
40           A. A PERSON HAS CONTROL OF ELECTRONIC MONEY IF:  
41           1. THE ELECTRONIC MONEY, A RECORD ATTACHED TO OR LOGICALLY  
42 ASSOCIATED WITH THE ELECTRONIC MONEY OR A SYSTEM IN WHICH THE ELECTRONIC  
43 MONEY IS RECORDED GIVES THE PERSON:

1 (a) POWER TO AVAIL ITSELF OF SUBSTANTIALLY ALL THE BENEFIT FROM THE  
2 ELECTRONIC MONEY; AND  
3 (b) EXCLUSIVE POWER, SUBJECT TO SUBSECTION B OF THIS SECTION, TO:  
4 (i) PREVENT OTHERS FROM AVAILING THEMSELVES OF SUBSTANTIALLY ALL  
5 THE BENEFIT FROM THE ELECTRONIC MONEY; AND  
6 (ii) TRANSFER CONTROL OF THE ELECTRONIC MONEY TO ANOTHER PERSON OR  
7 CAUSE ANOTHER PERSON TO OBTAIN CONTROL OF OTHER ELECTRONIC MONEY AS A  
8 RESULT OF THE TRANSFER OF THE ELECTRONIC MONEY; AND  
9 2. THE ELECTRONIC MONEY, A RECORD ATTACHED TO OR LOGICALLY  
10 ASSOCIATED WITH THE ELECTRONIC MONEY OR A SYSTEM IN WHICH THE ELECTRONIC  
11 MONEY IS RECORDED ENABLES THE PERSON READILY TO IDENTIFY ITSELF IN ANY  
12 WAY, INCLUDING BY NAME, IDENTIFYING NUMBER, CRYPTOGRAPHIC KEY, OFFICE OR  
13 ACCOUNT NUMBER, AS HAVING THE POWERS UNDER PARAGRAPH 1 OF THIS SUBSECTION.  
14 B. SUBJECT TO SUBSECTION C OF THIS SECTION, A POWER IS EXCLUSIVE  
15 UNDER SUBSECTION A, PARAGRAPH 1, SUBDIVISION (b), ITEMS (i) AND (ii) EVEN  
16 IF:  
17 1. THE ELECTRONIC MONEY, A RECORD ATTACHED TO OR LOGICALLY  
18 ASSOCIATED WITH THE ELECTRONIC MONEY OR A SYSTEM IN WHICH THE ELECTRONIC  
19 MONEY IS RECORDED LIMITS THE USE OF THE ELECTRONIC MONEY OR HAS A PROTOCOL  
20 PROGRAMMED TO CAUSE A CHANGE, INCLUDING A TRANSFER OR LOSS OF CONTROL; OR  
21 2. THE POWER IS SHARED WITH ANOTHER PERSON.  
22 C. A POWER OF A PERSON IS NOT SHARED WITH ANOTHER PERSON UNDER  
23 SUBSECTION B, PARAGRAPH 2 OF THIS SECTION AND THE PERSON'S POWER IS NOT  
24 EXCLUSIVE IF:  
25 1. THE PERSON CAN EXERCISE THE POWER ONLY IF THE POWER ALSO IS  
26 EXERCISED BY THE OTHER PERSON; AND  
27 2. THE OTHER PERSON:  
28 (a) CAN EXERCISE THE POWER WITHOUT EXERCISE OF THE POWER BY THE  
29 PERSON; OR  
30 (b) IS THE TRANSFEROR TO THE PERSON OF AN INTEREST IN THE  
31 ELECTRONIC MONEY.  
32 D. IF A PERSON HAS THE POWERS SPECIFIED IN SUBSECTION A, PARAGRAPH  
33 1, SUBDIVISION (b), ITEMS (i) AND (ii) OF THIS SECTION, THE POWERS ARE  
34 PRESUMED TO BE EXCLUSIVE.  
35 E. A PERSON HAS CONTROL OF ELECTRONIC MONEY IF ANOTHER PERSON,  
36 OTHER THAN THE TRANSFEROR TO THE PERSON OF AN INTEREST IN THE ELECTRONIC  
37 MONEY:  
38 1. HAS CONTROL OF THE ELECTRONIC MONEY AND ACKNOWLEDGES THAT IT HAS  
39 CONTROL ON BEHALF OF THE PERSON; OR  
40 2. OBTAINS CONTROL OF THE ELECTRONIC MONEY AFTER HAVING  
41 ACKNOWLEDGED THAT IT WILL OBTAIN CONTROL OF THE ELECTRONIC MONEY ON BEHALF  
42 OF THE PERSON.



1           47-9107A. CONTROL OF CONTROLLABLE ELECTRONIC RECORD,  
2                                   CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT  
3                                   INTANGIBLE

4           A. A SECURED PARTY HAS CONTROL OF A CONTROLLABLE ELECTRONIC RECORD  
5 AS PROVIDED IN SECTION 47-12105.

6           B. A SECURED PARTY HAS CONTROL OF A CONTROLLABLE ACCOUNT OR  
7 CONTROLLABLE PAYMENT INTANGIBLE IF THE SECURED PARTY HAS CONTROL OF THE  
8 CONTROLLABLE ELECTRONIC RECORD THAT EVIDENCES THE CONTROLLABLE ACCOUNT OR  
9 CONTROLLABLE PAYMENT INTANGIBLE.

10          47-9107B. NO REQUIREMENT TO ACKNOWLEDGE OR CONFIRM; NO DUTIES

11          A. A PERSON THAT HAS CONTROL UNDER SECTION 47-9104, 47-9105 OR  
12 47-9105A IS NOT REQUIRED TO ACKNOWLEDGE THAT IT HAS CONTROL ON BEHALF OF  
13 ANOTHER PERSON.

14          B. IF A PERSON ACKNOWLEDGES THAT IT HAS OR WILL OBTAIN CONTROL ON  
15 BEHALF OF ANOTHER PERSON, UNLESS THE PERSON OTHERWISE AGREES OR LAW OTHER  
16 THAN THIS CHAPTER OTHERWISE PROVIDES, THE PERSON DOES NOT OWE ANY DUTY TO  
17 THE OTHER PERSON AND IS NOT REQUIRED TO CONFIRM THE ACKNOWLEDGMENT TO ANY  
18 OTHER PERSON.

19          Sec. 47. Section 47-9203, Arizona Revised Statutes, is amended to  
20 read:

21          47-9203. Attachment and enforceability of security interest;  
22                                   proceeds; supporting obligations; formal  
23                                   requisites

24          A. A security interest attaches to collateral when it becomes  
25 enforceable against the debtor with respect to the collateral, unless an  
26 agreement expressly postpones the time of attachment.

27          B. Except as otherwise provided in subsections C through I of this  
28 section, a security interest is enforceable against the debtor and third  
29 parties with respect to the collateral only if:

- 30           1. Value has been given;  
31           2. The debtor has rights in the collateral or the power to transfer  
32 rights in the collateral to a secured party; and  
33           3. One of the following conditions is met:

34           (a) The debtor has ~~authenticated~~ SIGNED a security agreement that  
35 provides a description of the collateral and, if the security interest  
36 covers timber to be cut, a description of the land concerned;

37           (b) The collateral is not a certificated security and is in the  
38 possession of the secured party under section 47-9313 pursuant to the  
39 debtor's security agreement;

40           (c) The collateral is a certificated security in registered form  
41 and the security certificate has been delivered to the secured party under  
42 section 47-8301 pursuant to the debtor's security agreement; ~~or~~

43           (d) The collateral is CONTROLLABLE ACCOUNTS, CONTROLLABLE  
44 ELECTRONIC RECORDS, CONTROLLABLE PAYMENT INTANGIBLES, deposit accounts,  
45 electronic ~~chattel~~ ~~paper~~ DOCUMENTS, ELECTRONIC MONEY, investment

1 property, ~~OR~~ letter-of-credit rights ~~or electronic documents,~~ and the  
2 secured party has control under section 47-7106, 47-9104, ~~47-9105~~  
3 ~~47-9105A,~~ 47-9106, ~~OR~~ 47-9107 OR 47-9107A pursuant to the debtor's  
4 security agreement; ~~OR~~

5 (e) THE COLLATERAL IS CHATTEL PAPER AND THE SECURED PARTY HAS  
6 POSSESSION AND CONTROL UNDER SECTION 47-9314A PURSUANT TO THE DEBTOR'S  
7 SECURITY AGREEMENT.

8 C. Subsection B of this section is subject to section 47-4210 on  
9 the security interest of a collecting bank, section 47-5118 on the  
10 security interest of a letter-of-credit issuer or nominated person,  
11 section 47-9110 on a security interest arising under chapter 2 or 2A of  
12 this title, and section 47-9206 on security interests in investment  
13 property.

14 D. A person becomes bound as debtor by a security agreement entered  
15 into by another person if, by operation of law other than this chapter or  
16 by contract:

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

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

23 E. If a new debtor becomes bound as debtor by a security agreement  
24 entered into by another person:

25 1. The agreement satisfies subsection B, paragraph 3 of this  
26 section with respect to existing or after-acquired property of the new  
27 debtor to the extent the property is described in the agreement; and

28 2. Another agreement is not necessary to make a security interest  
29 in the property enforceable.

30 F. The attachment of a security interest in collateral gives the  
31 secured party the rights to proceeds provided by section 47-9315 and is  
32 also attachment of a security interest in a supporting obligation for the  
33 collateral.

34 G. The attachment of a security interest in a right to payment or  
35 performance secured by a security interest or other lien on personal or  
36 real property is also attachment of a security interest in the security  
37 interest, mortgage or other lien.

38 H. The attachment of a security interest in a securities account is  
39 also attachment of a security interest in the security entitlements  
40 carried in the securities account.

41 I. The attachment of a security interest in a commodity account is  
42 also attachment of a security interest in the commodity contracts carried  
43 in the commodity account.

1           Sec. 48. Section 47-9204, Arizona Revised Statutes, is amended to  
2 read:

3           47-9204. After-acquired property; future advances

4           A. Except as otherwise provided in subsection B, a security  
5 agreement may create or provide for a security interest in after-acquired  
6 collateral.

7           B. ~~SUBJECT TO SUBSECTION C OF THIS SECTION~~, a security interest  
8 does not attach under a term constituting an after-acquired property  
9 clause to:

10           1. Consumer goods, other than an accession when given as additional  
11 security, unless the debtor acquires rights in them within ten days after  
12 the secured party gives value; or

13           2. A commercial tort claim.

14           C. ~~SUBSECTION B OF THIS SECTION DOES NOT PREVENT A SECURITY~~  
15 ~~INTEREST FROM ATTACHING:~~

16           1. ~~TO CONSUMER GOODS AS PROCEEDS UNDER SECTION 47-9315, SUBSECTION~~  
17 ~~A OR COMMINGLED GOODS UNDER SECTION 47-9336, SUBSECTION C;~~

18           2. ~~TO A COMMERCIAL TORT CLAIM AS PROCEEDS UNDER SECTION 47-9315,~~  
19 ~~SUBSECTION A; OR~~

20           3. ~~UNDER AN AFTER-ACQUIRED PROPERTY CLAUSE TO PROPERTY THAT IS~~  
21 ~~PROCEEDS OF CONSUMER GOODS OR A COMMERCIAL TORT CLAIM.~~

22           ~~C.~~ D. A security agreement may provide that collateral secures, or  
23 that accounts, chattel paper, payment intangibles or promissory notes are  
24 sold in connection with, future advances or other value, whether or not  
25 the advances or value are given pursuant to commitment.

26           Sec. 49. Section 47-9207, Arizona Revised Statutes, is amended to  
27 read:

28           47-9207. Rights and duties of secured party having possession  
29 or control of collateral

30           A. Except as otherwise provided in subsection D of this section, a  
31 secured party shall use reasonable care in the custody and preservation of  
32 collateral in the secured party's possession. In the case of chattel  
33 paper or an instrument, reasonable care includes taking necessary steps to  
34 preserve rights against prior parties unless otherwise agreed.

35           B. Except as otherwise provided in subsection D of this section, if  
36 a secured party has possession of collateral:

37           1. Reasonable expenses, including the cost of insurance and payment  
38 of taxes or other charges, incurred in the custody, preservation, use or  
39 operation of the collateral are chargeable to the debtor and are secured  
40 by the collateral;

41           2. The risk of accidental loss or damage is on the debtor to the  
42 extent of a deficiency in any effective insurance coverage;

43           3. The secured party shall keep the collateral identifiable, but  
44 fungible collateral may be commingled; and

- 1           4. The secured party may use or operate the collateral:  
2           (a) For the purpose of preserving the collateral or its value;  
3           (b) As permitted by an order of a court having competent  
4 jurisdiction; or  
5           (c) Except in the case of consumer goods, in the manner and to the  
6 extent agreed by the debtor.

7           C. Except as otherwise provided in subsection D of this section, a  
8 secured party having possession of collateral or control of collateral  
9 under section 47-7106, 47-9104, 47-9105, ~~47-9105A~~, 47-9106, ~~or~~ 47-9107 ~~OR~~  
10 ~~47-9107A~~:

11           1. May hold as additional security any proceeds, except money or  
12 funds, received from the collateral;

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

15           3. May create a security interest in the collateral.

16           D. If the secured party is a buyer of accounts, chattel paper,  
17 payment intangibles or promissory notes or a consignor:

18           1. Subsection A of this section does not apply unless the secured  
19 party is entitled under an agreement:

20           (a) To charge back uncollected collateral; or

21           (b) Otherwise to full or limited recourse against the debtor or a  
22 secondary obligor based on the nonpayment or other default of an account  
23 debtor or other obligor on the collateral; and

24           2. Subsections B and C of this section do not apply.

25           Sec. 50. Section 47-9208, Arizona Revised Statutes, is amended to  
26 read:

27           47-9208. Additional duties of secured party having control of  
28           collateral

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

32           B. Within ten days after receiving ~~an authenticated~~ A SIGNED demand  
33 by the debtor:

34           1. A secured party having control of a deposit account under  
35 section 47-9104, subsection A, paragraph 2 shall send to the bank with  
36 which the deposit account is maintained ~~an authenticated statement~~ A  
37 SIGNED RECORD that releases the bank from any further obligation to comply  
38 with instructions originated by the secured party;

39           2. A secured party having control of a deposit account under  
40 section 47-9104, subsection A, paragraph 3 shall:

41           (a) Pay the debtor the balance on deposit in the deposit account;  
42 or

43           (b) Transfer the balance on deposit into a deposit account in the  
44 debtor's name;

1           3. A secured party, other than a buyer, having control of  
2 ~~electronic chattel paper~~ under section 47-9105 shall:

3           ~~(a) Communicate the authoritative copy of the electronic chattel~~  
4 ~~paper to the debtor or its designated custodian;~~

5           ~~(b) If the debtor designates a custodian that is the designated~~  
6 ~~custodian with which the authoritative copy of the electronic chattel~~  
7 ~~paper is maintained for the secured party, communicate to the custodian an~~  
8 ~~authenticated record releasing the designated custodian from any further~~  
9 ~~obligation to comply with instructions originated by the secured party and~~  
10 ~~instructing the custodian to comply with instructions originated by the~~  
11 ~~debtor; and~~

12           ~~(c) Take appropriate action to enable the debtor or its designated~~  
13 ~~custodian to make copies of or revisions to the authoritative copy that~~  
14 ~~add or change an identified assignee of the authoritative copy without the~~  
15 ~~consent of the secured party;~~ OF AN AUTHORITATIVE ELECTRONIC COPY OF A  
16 RECORD EVIDENCING CHATTEL PAPER SHALL TRANSFER CONTROL OF THE ELECTRONIC  
17 COPY TO THE DEBTOR OR A PERSON DESIGNATED BY THE DEBTOR;

18           4. A secured party having control of investment property under  
19 section 47-8106, subsection D, paragraph 2 or section 47-9106, subsection  
20 B shall send to the securities intermediary or commodity intermediary with  
21 which the security entitlement or commodity contract is maintained ~~an~~  
22 ~~authenticated~~ A SIGNED record that releases the securities intermediary or  
23 commodity intermediary from any further obligation to comply with  
24 entitlement orders or directions originated by the secured party;

25           5. A secured party having control of a letter-of-credit right under  
26 section 47-9107 shall send to each person having an unfulfilled obligation  
27 to pay or deliver proceeds of the letter of credit to the secured party ~~an~~  
28 ~~authenticated~~ A SIGNED release from any further obligation to pay or  
29 deliver proceeds of the letter of credit to the secured party; ~~and~~

30           ~~6. A secured party having control of an electronic document shall:~~

31           ~~(a) Give control of the electronic document to the debtor or its~~  
32 ~~designated custodian;~~

33           ~~(b) If the debtor designates a custodian that is the designated~~  
34 ~~custodian with which the authoritative copy of the electronic document is~~  
35 ~~maintained for the secured party, communicate to the custodian an~~  
36 ~~authenticated record releasing the designated custodian from any further~~  
37 ~~obligation to comply with instructions originated by the secured party and~~  
38 ~~instructing the custodian to comply with instructions originated by the~~  
39 ~~debtor; and~~

40           ~~(c) Take appropriate action to enable the debtor or its designated~~  
41 ~~custodian to make copies of or revisions to the authoritative copy that~~  
42 ~~add or change an identified assignee of the authoritative copy without the~~  
43 ~~consent of the secured party.~~

44           6. A SECURED PARTY HAVING CONTROL UNDER SECTION 47-7106 OF AN  
45 AUTHORITY ELECTRONIC COPY OF AN ELECTRONIC DOCUMENT SHALL TRANSFER

1 CONTROL OF THE ELECTRONIC COPY TO THE DEBTOR OR A PERSON DESIGNATED BY THE  
2 DEBTOR;

3 7. A SECURED PARTY HAVING CONTROL UNDER SECTION 47-9105A OF  
4 ELECTRONIC MONEY SHALL TRANSFER CONTROL OF THE ELECTRONIC MONEY TO THE  
5 DEBTOR OR A PERSON DESIGNATED BY THE DEBTOR; AND

6 8. A SECURED PARTY HAVING CONTROL UNDER SECTION 47-12105 OF A  
7 CONTROLLABLE ELECTRONIC RECORD, OTHER THAN A BUYER OF A CONTROLLABLE  
8 ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE EVIDENCED BY THE CONTROLLABLE  
9 ELECTRONIC RECORD, SHALL TRANSFER CONTROL OF THE CONTROLLABLE ELECTRONIC  
10 RECORD TO THE DEBTOR OR A PERSON DESIGNATED BY THE DEBTOR.

11 Sec. 51. Section 47-9209, Arizona Revised Statutes, is amended to  
12 read:

13 47-9209. Duties of secured party if account debtor has been  
14 notified of assignment

15 A. Except as otherwise provided in subsection C of this section,  
16 this section applies if:

17 1. There is no outstanding secured obligation; and

18 2. The secured party is not committed to make advances, incur  
19 obligations or otherwise give value.

20 B. Within ten days after receiving ~~an authenticated~~ A SIGNED demand  
21 by the debtor, a secured party shall send to an account debtor that has  
22 received notification UNDER SECTION 47-9406, SUBSECTION A OR SECTION  
23 47-12106, SUBSECTION B of an assignment to the secured party as assignee  
24 ~~under section 47-9406, subsection A an authenticated~~ A SIGNED record that  
25 releases the account debtor from any further obligation to the secured  
26 party.

27 C. This section does not apply to an assignment constituting the  
28 sale of an account, chattel paper or payment intangible.

29 Sec. 52. Section 47-9210, Arizona Revised Statutes, is amended to  
30 read:

31 47-9210. Request for accounting; request regarding list of  
32 collateral or statement of account

33 A. In this section:

34 1. "Request" means a record of a type described in paragraph 2, 3  
35 or 4 of this subsection.

36 2. "Request for an accounting" means a record ~~authenticated~~ SIGNED  
37 by a debtor, requesting that the recipient provide an accounting of the  
38 unpaid obligations secured by collateral and reasonably identifying the  
39 transaction or relationship that is the subject of the request.

40 3. "Request regarding a list of collateral" means a record  
41 ~~authenticated~~ SIGNED by a debtor, requesting that the recipient approve or  
42 correct a list of what the debtor believes to be the collateral securing  
43 an obligation and reasonably identifying the transaction or relationship  
44 that is the subject of the request.

1           4. "Request regarding a statement of account" means a record  
2 ~~authenticated~~ SIGNED by a debtor, requesting that the recipient approve or  
3 correct a statement indicating what the debtor believes to be the  
4 aggregate amount of unpaid obligations secured by collateral as of a  
5 specified date and reasonably identifying the transaction or relationship  
6 that is the subject of the request.

7           B. Subject to subsections C, D, E and F, a secured party, other  
8 than a buyer of accounts, chattel paper, payment intangibles or promissory  
9 notes or a consignor, shall comply with a request within fourteen days  
10 after receipt:

11           1. In the case of a request for an accounting, by ~~authenticating~~  
12 SIGNING and sending to the debtor an accounting; and

13           2. In the case of a request regarding a list of collateral or a  
14 request regarding a statement of account, by ~~authenticating~~ SIGNING and  
15 sending to the debtor an approval or correction.

16           C. A secured party that claims a security interest in all of a  
17 particular type of collateral owned by the debtor may comply with a  
18 request regarding a list of collateral by sending to the debtor ~~an~~  
19 ~~authenticated~~ A SIGNED record including a statement to that effect within  
20 fourteen days after receipt.

21           D. A person that receives a request regarding a list of collateral,  
22 claims no interest in the collateral when it receives the request and  
23 claimed an interest in the collateral at an earlier time shall comply with  
24 the request within fourteen days after receipt by sending to the debtor ~~an~~  
25 ~~authenticated~~ A SIGNED record:

26           1. Disclaiming any interest in the collateral; and

27           2. If known to the recipient, providing the name and mailing  
28 address of any assignee of or successor to the recipient's interest in the  
29 collateral.

30           E. A person that receives a request for an accounting or a request  
31 regarding a statement of account, claims no interest in the obligations  
32 when it receives the request and claimed an interest in the obligations at  
33 an earlier time shall comply with the request within fourteen days after  
34 receipt by sending to the debtor ~~an authenticated~~ A SIGNED record:

35           1. Disclaiming any interest in the obligations; and

36           2. If known to the recipient, providing the name and mailing  
37 address of any assignee of or successor to the recipient's interest in the  
38 obligations.

39           F. A debtor is entitled without charge to one response to a request  
40 under this section during any six month period. The secured party may  
41 require payment of a charge not exceeding twenty-five dollars for each  
42 additional response.





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

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

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

10 5. If none of the preceding paragraphs applies, the bank's  
11 jurisdiction is the jurisdiction in which the chief executive office of  
12 the bank is located.

13 Sec. 55. Section 47-9305, Arizona Revised Statutes, is amended to  
14 read:

15 47-9305. Law governing perfection and priority of security  
16 interests in investment property

17 A. Except as otherwise provided in subsection C of this section,  
18 the following rules apply:

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

23 2. The local law of the issuer's jurisdiction as specified in  
24 section 47-8110, subsection D governs perfection, the effect of perfection  
25 or nonperfection and the priority of a security interest in an  
26 uncertificated security.

27 3. The local law of the securities intermediary's jurisdiction as  
28 specified in section 47-8110, subsection E governs perfection, the effect  
29 of perfection or nonperfection and the priority of a security interest in  
30 a security entitlement or securities account.

31 4. The local law of the commodity intermediary's jurisdiction  
32 governs perfection, the effect of perfection or nonperfection and the  
33 priority of a security interest in a commodity contract or commodity  
34 account.

35 5. PARAGRAPHS 2, 3 AND 4 OF THIS SUBSECTION APPLY EVEN IF THE  
36 TRANSACTION DOES NOT BEAR ANY RELATION TO THE JURISDICTION.

37 B. The following rules determine a commodity intermediary's  
38 jurisdiction for purposes of this article:

39 1. If an agreement between the commodity intermediary and commodity  
40 customer governing the commodity account expressly provides that a  
41 particular jurisdiction is the commodity intermediary's jurisdiction for  
42 purposes of this article, this chapter or this title, that jurisdiction is  
43 the commodity intermediary's jurisdiction.

44 2. If paragraph 1 of this subsection does not apply and an  
45 agreement between the commodity intermediary and commodity customer

1 governing the commodity account expressly provides that the agreement is  
2 governed by the law of a particular jurisdiction, that jurisdiction is the  
3 commodity intermediary's jurisdiction.

4 3. If neither paragraph 1 nor paragraph 2 of this subsection  
5 applies and an agreement between the commodity intermediary and commodity  
6 customer governing the commodity account expressly provides that the  
7 commodity account is maintained at an office in a particular jurisdiction,  
8 that jurisdiction is the commodity intermediary's jurisdiction.

9 4. If none of the preceding paragraphs applies, the commodity  
10 intermediary's jurisdiction is the jurisdiction in which the office  
11 identified in an account statement as the office serving the commodity  
12 customer's account is located.

13 5. If none of the preceding paragraphs applies, the commodity  
14 intermediary's jurisdiction is the jurisdiction in which the chief  
15 executive office of the commodity intermediary is located.

16 C. The local law of the jurisdiction in which the debtor is located  
17 governs:

18 1. Perfection of a security interest in investment property by  
19 filing;

20 2. Automatic perfection of a security interest in investment  
21 property created by a broker or securities intermediary; and

22 3. Automatic perfection of a security interest in a commodity  
23 contract or commodity account created by a commodity intermediary.

24 Sec. 56. Title 47, chapter 9, article 3, Arizona Revised Statutes,  
25 is amended by adding sections 47-9306A and 47-9306B, to read:

26 47-9306A. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY  
27 INTERESTS IN CHATTEL PAPER

28 A. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, IF CHATTEL  
29 PAPER IS EVIDENCED ONLY BY AN AUTHORITATIVE ELECTRONIC COPY OF THE CHATTEL  
30 PAPER OR IS EVIDENCED BY AN AUTHORITATIVE ELECTRONIC COPY AND AN  
31 AUTHORITATIVE TANGIBLE COPY, THE LOCAL LAW OF THE CHATTEL PAPER'S  
32 JURISDICTION GOVERNS PERFECTION, THE EFFECT OF PERFECTION OR NONPERFECTION  
33 AND THE PRIORITY OF A SECURITY INTEREST IN THE CHATTEL PAPER, EVEN IF THE  
34 TRANSACTION DOES NOT BEAR ANY RELATION TO THE CHATTEL PAPER'S  
35 JURISDICTION.

36 B. THE FOLLOWING RULES DETERMINE THE CHATTEL PAPER'S JURISDICTION  
37 UNDER THIS SECTION:

38 1. IF THE AUTHORITATIVE ELECTRONIC COPY OF THE RECORD EVIDENCING  
39 CHATTEL PAPER, OR A RECORD ATTACHED TO OR LOGICALLY ASSOCIATED WITH THE  
40 ELECTRONIC COPY AND READILY AVAILABLE FOR REVIEW, EXPRESSLY PROVIDES THAT  
41 A PARTICULAR JURISDICTION IS THE CHATTEL PAPER'S JURISDICTION FOR PURPOSES  
42 OF THIS ARTICLE, THIS CHAPTER OR THIS TITLE, THAT JURISDICTION IS THE  
43 CHATTEL PAPER'S JURISDICTION.

1           2. IF PARAGRAPH 1 OF THIS SUBSECTION DOES NOT APPLY AND THE RULES  
2 OF THE SYSTEM IN WHICH THE AUTHORITATIVE ELECTRONIC COPY IS RECORDED ARE  
3 READILY AVAILABLE FOR REVIEW AND EXPRESSLY PROVIDE THAT A PARTICULAR  
4 JURISDICTION IS THE CHATTEL PAPER'S JURISDICTION FOR PURPOSES OF THIS  
5 ARTICLE, THIS CHAPTER OR THIS TITLE, THAT JURISDICTION IS THE CHATTEL  
6 PAPER'S JURISDICTION.

7           3. IF PARAGRAPHS 1 AND 2 OF THIS SUBSECTION DO NOT APPLY AND THE  
8 AUTHORITATIVE ELECTRONIC COPY, OR A RECORD ATTACHED TO OR LOGICALLY  
9 ASSOCIATED WITH THE ELECTRONIC COPY AND READILY AVAILABLE FOR REVIEW,  
10 EXPRESSLY PROVIDES THAT THE CHATTEL PAPER IS GOVERNED BY THE LAW OF A  
11 PARTICULAR JURISDICTION, THAT JURISDICTION IS THE CHATTEL PAPER'S  
12 JURISDICTION.

13           4. IF PARAGRAPHS 1, 2 AND 3 OF THIS SUBSECTION DO NOT APPLY AND THE  
14 RULES OF THE SYSTEM IN WHICH THE AUTHORITATIVE ELECTRONIC COPY IS RECORDED  
15 ARE READILY AVAILABLE FOR REVIEW AND EXPRESSLY PROVIDE THAT THE CHATTEL  
16 PAPER OR THE SYSTEM IS GOVERNED BY THE LAW OF A PARTICULAR JURISDICTION,  
17 THAT JURISDICTION IS THE CHATTEL PAPER'S JURISDICTION.

18           5. IF PARAGRAPHS 1, 2, 3 AND 4 OF THIS SUBSECTION DO NOT APPLY, THE  
19 CHATTEL PAPER'S JURISDICTION IS THE JURISDICTION IN WHICH THE DEBTOR IS  
20 LOCATED.

21           C. IF AN AUTHORITATIVE TANGIBLE COPY OF A RECORD EVIDENCES CHATTEL  
22 PAPER AND THE CHATTEL PAPER IS NOT EVIDENCED BY AN AUTHORITATIVE  
23 ELECTRONIC COPY, WHILE THE AUTHORITATIVE TANGIBLE COPY OF THE RECORD  
24 EVIDENCING CHATTEL PAPER IS LOCATED IN A JURISDICTION, THE LOCAL LAW OF  
25 THAT JURISDICTION GOVERNS:

26           1. PERFECTION OF A SECURITY INTEREST IN THE CHATTEL PAPER BY  
27 POSSESSION UNDER SECTION 47-9314A; AND

28           2. THE EFFECT OF PERFECTION OR NONPERFECTION AND THE PRIORITY OF A  
29 SECURITY INTEREST IN THE CHATTEL PAPER.

30           D. THE LOCAL LAW OF THE JURISDICTION IN WHICH THE DEBTOR IS LOCATED  
31 GOVERNS PERFECTION OF A SECURITY INTEREST IN CHATTEL PAPER BY FILING.

32           47-9306B. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY  
33                                   INTERESTS IN CONTROLLABLE ACCOUNTS, CONTROLLABLE  
34                                   ELECTRONIC RECORDS AND CONTROLLABLE PAYMENT  
35                                   INTANGIBLES

36           A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, THE LOCAL  
37 LAW OF THE CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION SPECIFIED IN  
38 SECTION 47-12107, SUBSECTIONS C AND D GOVERNS PERFECTION, THE EFFECT OF  
39 PERFECTION OR NONPERFECTION AND THE PRIORITY OF A SECURITY INTEREST IN A  
40 CONTROLLABLE ELECTRONIC RECORD AND A SECURITY INTEREST IN A CONTROLLABLE  
41 ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE EVIDENCED BY THE CONTROLLABLE  
42 ELECTRONIC RECORD.

1 B. THE LOCAL LAW OF THE JURISDICTION IN WHICH THE DEBTOR IS LOCATED  
2 GOVERNS:

3 1. PERFECTION OF A SECURITY INTEREST IN A CONTROLLABLE ACCOUNT,  
4 CONTROLLABLE ELECTRONIC RECORD OR CONTROLLABLE PAYMENT INTANGIBLE BY  
5 FILING; AND

6 2. AUTOMATIC PERFECTION OF A SECURITY INTEREST IN A CONTROLLABLE  
7 PAYMENT INTANGIBLE CREATED BY A SALE OF THE CONTROLLABLE PAYMENT  
8 INTANGIBLE.

9 Sec. 57. Section 47-9310, Arizona Revised Statutes, is amended to  
10 read:

11 47-9310. When filing required to perfect security interest or  
12 agricultural lien; security interests and  
13 agricultural liens to which filing provisions do  
14 not apply

15 A. Except as otherwise provided in subsection B of this section and  
16 section 47-9312, subsection B, a financing statement must be filed to  
17 perfect all security interests and agricultural liens.

18 B. The filing of a financing statement is not necessary to perfect  
19 a security interest:

20 1. That is perfected under section 47-9308, subsection D, E, F or  
21 G;

22 2. That is perfected under section 47-9309 when it attaches;

23 3. In property subject to a statute, regulation or treaty described  
24 in section 47-9311, subsection A;

25 4. In goods in possession of a bailee that is perfected under  
26 section 47-9312, subsection D, paragraph 1 or 2;

27 5. In certificated securities, documents, goods or instruments that  
28 is perfected without filing, control or possession under section 47-9312,  
29 subsection E, F or G;

30 6. In collateral in the secured party's possession under section  
31 47-9313;

32 7. In a certificated security that is perfected by delivery of the  
33 security certificate to the secured party under section 47-9313;

34 8. In CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS,  
35 CONTROLLABLE PAYMENT INTANGIBLES, deposit accounts, ~~electronic chattel~~  
36 ~~paper~~, electronic documents, investment property or letter-of-credit  
37 rights that is perfected by control under section 47-9314;

38 9. IN CHATTEL PAPER WHICH IS PERFECTED BY POSSESSION AND CONTROL  
39 UNDER SECTION 47-9314A.

40 ~~9.~~ 10. In proceeds that is perfected under section 47-9315; or

41 ~~10.~~ 11. That is perfected under section 47-9316.

42 C. If a secured party assigns a perfected security interest or  
43 agricultural lien, a filing under this chapter is not required to continue  
44 the perfected status of the security interest against creditors of and  
45 transferees from the original debtor.

1           Sec. 58. Section 47-9312, Arizona Revised Statutes, is amended to  
2 read:

3           47-9312. Perfection of security interests in chattel paper,  
4           CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC  
5           RECORDS, CONTROLLABLE PAYMENT INTANGIBLES, deposit  
6           accounts, documents, goods covered by documents,  
7           instruments, investment property, letter-of-credit  
8           rights and money; perfection by permissive filing;  
9           temporary perfection without filing or transfer of  
10           possession

11           A. A security interest in chattel paper, ~~negotiable documents~~  
12 CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS, CONTROLLABLE  
13 PAYMENT INTANGIBLES, instruments, ~~or~~ investment property OR NEGOTIABLE  
14 DOCUMENTS may be perfected by filing.

15           B. Except as otherwise provided in section 47-9315, subsections C  
16 and D for proceeds:

17           1. A security interest in a deposit account may be perfected only  
18 by control under section 47-9314;

19           2. And except as otherwise provided in section 47-9308, subsection  
20 D, a security interest in a letter-of-credit right may be perfected only  
21 by control under section 47-9314; ~~and~~

22           3. A security interest in TANGIBLE money may be perfected only by  
23 the secured party's taking possession under section 47-9313; ~~— AND~~

24           4. A SECURITY INTEREST IN ELECTRONIC MONEY MAY BE PERFECTED ONLY BY  
25 CONTROL UNDER SECTION 47-9314.

26           C. While goods are in the possession of a bailee that has issued a  
27 negotiable document covering the goods:

28           1. A security interest in the goods may be perfected by perfecting  
29 a security interest in the document; and

30           2. A security interest perfected in the document has priority over  
31 any security interest that becomes perfected in the goods by another  
32 method during that time.

33           D. While goods are in the possession of a bailee that has issued a  
34 nonnegotiable document covering the goods, a security interest in the  
35 goods may be perfected by:

36           1. Issuance of a document in the name of the secured party;

37           2. The bailee's receipt of notification of the secured party's  
38 interest; or

39           3. Filing as to the goods.

40           E. A security interest in certificated securities, negotiable  
41 documents or instruments is perfected without filing or the taking of  
42 possession or control for a period of twenty days from the time it  
43 attaches to the extent that it arises for new value given under ~~an~~  
44 ~~authenticated~~ A SIGNED security agreement.

1 F. A perfected security interest in a negotiable document or goods  
2 in possession of a bailee, other than one that has issued a negotiable  
3 document for the goods, remains perfected for twenty days without filing  
4 if the secured party makes available to the debtor the goods or documents  
5 representing the goods for the purpose of:

- 6 1. Ultimate sale or exchange; or
- 7 2. Loading, unloading, storing, shipping, transshipping,  
8 manufacturing, processing or otherwise dealing with them in a manner  
9 preliminary to their sale or exchange.

10 G. A perfected security interest in a certificated security or  
11 instrument remains perfected for twenty days without filing if the secured  
12 party delivers the security certificate or instrument to the debtor for  
13 the purpose of:

- 14 1. Ultimate sale or exchange; or
- 15 2. Presentation, collection, enforcement, renewal or registration  
16 of transfer.

17 H. After the twenty days specified in subsection E, F or G of this  
18 section expires, perfection depends on compliance with this chapter.

19 Sec. 59. Section 47-9313, Arizona Revised Statutes, is amended to  
20 read:

21 47-9313. When possession by or delivery to secured party  
22 perfects security interest without filing

23 A. Except as otherwise provided in subsection B of this section, a  
24 secured party may perfect a security interest in ~~tangible negotiable~~  
25 ~~documents;~~ goods, instruments, **NEGOTIABLE TANGIBLE DOCUMENTS OR TANGIBLE**  
26 ~~money or tangible chattel paper~~ by taking possession of the collateral. A  
27 secured party may perfect a security interest in certificated securities  
28 by taking delivery of the certificated securities under section 47-8301.

29 B. With respect to goods covered by a certificate of title issued  
30 by this state, a secured party may perfect a security interest in the  
31 goods by taking possession of the goods only in the circumstances  
32 described in section 47-9316, subsection D.

33 C. With respect to collateral other than certificated securities  
34 and goods covered by a document, a secured party takes possession of  
35 collateral in the possession of a person other than the debtor, the  
36 secured party or a lessee of the collateral from the debtor in the  
37 ordinary course of the debtor's business, when:

- 38 1. The person in possession ~~authenticates~~ **SIGNS** a record  
39 acknowledging that it holds possession of the collateral for the secured  
40 party's benefit; or
- 41 2. The person takes possession of the collateral after having  
42 ~~authenticated~~ **SIGNED** a record acknowledging that it will hold possession  
43 of **THE** collateral for the secured party's benefit.

44 D. If perfection of a security interest depends on possession of  
45 the collateral by a secured party, perfection occurs ~~no~~ **NOT** earlier than

1 the time the secured party takes possession and continues only while the  
2 secured party retains possession.

3 E. A security interest in a certificated security in registered  
4 form is perfected by delivery when delivery of the certificated security  
5 occurs under section 47-8301 and remains perfected by delivery until the  
6 debtor obtains possession of the security certificate.

7 F. A person in possession of collateral is not required to  
8 acknowledge that it holds possession for a secured party's benefit.

9 G. If a person acknowledges that it holds possession for the  
10 secured party's benefit:

11 1. The acknowledgment is effective under subsection C of this  
12 section or section 47-8301, subsection A, even if the acknowledgment  
13 violates the rights of a debtor; and

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

18 H. A secured party having possession of collateral does not  
19 relinquish possession by delivering the collateral to a person other than  
20 the debtor or a lessee of the collateral from the debtor in the ordinary  
21 course of the debtor's business if the person was instructed before the  
22 delivery or is instructed contemporaneously with the delivery:

23 1. To hold possession of the collateral for the secured party's  
24 benefit; or

25 2. To redeliver the collateral to the secured party.

26 I. A secured party does not relinquish possession, even if a  
27 delivery under subsection H of this section violates the rights of a  
28 debtor. A person to which collateral is delivered under subsection H of  
29 this section does not owe any duty to the secured party and is not  
30 required to confirm the delivery to another person unless the person  
31 otherwise agrees or law other than this article otherwise provides.

32 Sec. 60. Section 47-9314, Arizona Revised Statutes, is amended to  
33 read:

34 47-9314. Perfection by control

35 A. A security interest in ~~investment property, deposit accounts,~~  
36 ~~letter-of-credit rights, electronic chattel paper or electronic documents~~  
37 CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS, CONTROLLABLE  
38 PAYMENT INTANGIBLES, DEPOSIT ACCOUNTS, ELECTRONIC DOCUMENTS, ELECTRONIC  
39 MONEY, INVESTMENT PROPERTY OR LETTER-OF-CREDIT RIGHTS may be perfected by  
40 control of the collateral under section 47-7106, 47-9104, ~~47-9105~~  
41 ~~47-9105A~~, 47-9106, ~~or~~ 47-9107 OR 47-9107A.

42 B. A security interest in ~~deposit accounts, electronic chattel~~  
43 ~~paper, letter-of-credit rights or electronic documents~~ CONTROLLABLE  
44 ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS, CONTROLLABLE PAYMENT  
45 INTANGIBLES, DEPOSIT ACCOUNTS, ELECTRONIC DOCUMENTS, ELECTRONIC MONEY, OR

1 LETTER-OF-CREDIT RIGHTS is perfected by control under section 47-7106,  
2 47-9104, ~~47-9105~~ 47-9105A, ~~or~~ 47-9107 ~~when~~ OR 47-9107A NOT EARLIER THAN  
3 THE TIME the secured party obtains control and remains perfected by  
4 control only while the secured party retains control.

5 C. A security interest in investment property is perfected by  
6 control under section 47-9106 ~~from~~ NOT EARLIER THAN the time the secured  
7 party obtains control and remains perfected by control until:

8 1. The secured party does not have control; and

9 2. One of the following occurs:

10 (a) If the collateral is a certificated security, the debtor has or  
11 acquires possession of the security certificate;

12 (b) If the collateral is an uncertificated security, the issuer has  
13 registered or registers the debtor as the registered owner; or

14 (c) If the collateral is a security entitlement, the debtor is or  
15 becomes the entitlement holder.

16 Sec. 61. Title 47, chapter 9, article 3, Arizona Revised Statutes,  
17 is amended by adding section 47-9314A, to read:

18 47-9314A. PERFECTION BY POSSESSION AND CONTROL OF CHATTEL  
19 PAPER

20 A. A SECURED PARTY MAY PERFECT A SECURITY INTEREST IN CHATTEL PAPER  
21 BY TAKING POSSESSION OF EACH AUTHORITATIVE TANGIBLE COPY OF THE RECORD  
22 EVIDENCING THE CHATTEL PAPER AND OBTAINING CONTROL OF EACH AUTHORITATIVE  
23 ELECTRONIC COPY OF THE ELECTRONIC RECORD EVIDENCING THE CHATTEL PAPER.

24 B. A SECURITY INTEREST IS PERFECTED UNDER SUBSECTION A OF THIS  
25 SECTION NOT EARLIER THAN THE TIME THE SECURED PARTY TAKES POSSESSION AND  
26 OBTAINS CONTROL AND REMAINS PERFECTED UNDER SUBSECTION A OF THIS SECTION  
27 ONLY WHILE THE SECURED PARTY RETAINS POSSESSION AND CONTROL.

28 C. SECTION 47-9313, SUBSECTIONS C, F, G, H AND I APPLIES TO  
29 PERFECTION BY POSSESSION OF AN AUTHORITATIVE TANGIBLE COPY OF A RECORD  
30 EVIDENCING CHATTEL PAPER.

31 Sec. 62. Section 47-9316, Arizona Revised Statutes, is amended to  
32 read:

33 47-9316. Continued perfection of security interest following  
34 change in governing law

35 A. A security interest perfected pursuant to the law of the  
36 jurisdiction designated in section 47-9301, paragraph 1, ~~or~~ section  
37 47-9305, subsection C, SECTION 47-9306A, SUBSECTION D OR SECTION 47-9306B,  
38 SUBSECTION B remains perfected until the earliest of:

39 1. The time perfection would have ceased under the law of that  
40 jurisdiction;

41 2. The expiration of four months after a change of the debtor's  
42 location to another jurisdiction; or

43 3. The expiration of one year after a transfer of collateral to a  
44 person that thereby becomes a debtor and is located in another  
45 jurisdiction.



1           B. If a security interest described in subsection A of this section  
2 becomes perfected under the law of the other jurisdiction before the  
3 earliest time or event described in that subsection, it remains perfected  
4 thereafter. If the security interest does not become perfected under the  
5 law of the other jurisdiction before the earliest time or event, it  
6 becomes unperfected and is deemed never to have been perfected as against  
7 a purchaser of the collateral for value.

8           C. A possessory security interest in collateral, other than goods  
9 covered by a certificate of title and as-extracted collateral consisting  
10 of goods, remains continuously perfected if:

11           1. The collateral is located in one jurisdiction and subject to a  
12 security interest perfected under the law of that jurisdiction;

13           2. Thereafter the collateral is brought into another jurisdiction;  
14 and

15           3. On entry into the other jurisdiction, the security interest is  
16 perfected under the law of the other jurisdiction.

17           D. Except as otherwise provided in subsection E of this section, a  
18 security interest in goods covered by a certificate of title that is  
19 perfected by any method under the law of another jurisdiction when the  
20 goods become covered by a certificate of title from this state remains  
21 perfected until the security interest would have become unperfected under  
22 the law of the other jurisdiction had the goods not become so covered.

23           E. A security interest described in subsection D of this section  
24 becomes unperfected as against a purchaser of the goods for value and is  
25 deemed never to have been perfected as against a purchaser of the goods  
26 for value if the applicable requirements for perfection under section  
27 47-9311, subsection B or section 47-9313 are not satisfied before the  
28 earlier of:

29           1. The time the security interest would have become unperfected  
30 under the law of the other jurisdiction had the goods not become covered  
31 by a certificate of title from this state; or

32           2. The expiration of four months after the goods had become so  
33 covered.

34           F. A security interest in CHATTEL PAPER, CONTROLLABLE ACCOUNTS,  
35 CONTROLLABLE ELECTRONIC RECORDS, CONTROLLABLE PAYMENT INTANGIBLES, deposit  
36 accounts, letter-of-credit rights or investment property that is perfected  
37 under the law of the CHATTEL PAPER'S JURISDICTION, THE CONTROLLABLE  
38 ELECTRONIC RECORD'S JURISDICTION, THE bank's jurisdiction, the issuer's  
39 jurisdiction, a nominated person's jurisdiction, the securities  
40 intermediary's jurisdiction or the commodity intermediary's jurisdiction,  
41 as applicable, remains perfected until the earlier of:

42           1. The time the security interest would have become unperfected  
43 under the law of that jurisdiction; or

44           2. The expiration of four months after a change of the applicable  
45 jurisdiction to another jurisdiction.

1 G. If a security interest described in subsection F of this section  
2 becomes perfected under the law of the other jurisdiction before the  
3 earlier of the time or the end of the period described in that subsection,  
4 it remains perfected thereafter. If the security interest does not become  
5 perfected under the law of the other jurisdiction before the earlier of  
6 that time or the end of that period, it becomes unperfected and is deemed  
7 never to have been perfected as against a purchaser of the collateral for  
8 value.

9 H. The following rules apply to collateral to which a security  
10 interest attaches within four months after the debtor changes its location  
11 to another jurisdiction:

12 1. A financing statement filed before the change pursuant to the  
13 law of the jurisdiction designated in section 47-9301, paragraph 1 or  
14 section 47-9305, subsection C is effective to perfect a security interest  
15 in the collateral if the financing statement would have been effective to  
16 perfect a security interest in the collateral had the debtor not changed  
17 its location.

18 2. If a security interest perfected by a financing statement that  
19 is effective under paragraph 1 of this subsection becomes perfected under  
20 the law of the other jurisdiction before the earlier of the time the  
21 financing statement would have become ineffective under the law of the  
22 jurisdiction designated in section 47-9301, paragraph 1 or section  
23 47-9305, subsection C or the expiration of the four-month period, it  
24 remains perfected thereafter. If the security interest does not become  
25 perfected under the law of the other jurisdiction before the earlier time  
26 or event, it becomes unperfected and is deemed never to have been  
27 perfected as against a purchaser of the collateral for value.

28 I. If a financing statement naming an original debtor is filed  
29 pursuant to the law of the jurisdiction designated in section 47-9301,  
30 paragraph 1 or section 47-9305, subsection C and the new debtor is located  
31 in another jurisdiction, the following rules apply:

32 1. The financing statement is effective to perfect a security  
33 interest in collateral acquired by the new debtor before, and within four  
34 months after, the new debtor becomes bound under section 47-9203,  
35 subsection D, if the financing statement would have been effective to  
36 perfect a security interest in the collateral had the collateral been  
37 acquired by the original debtor.

38 2. A security interest that is perfected by the financing statement  
39 and that becomes perfected under the law of the other jurisdiction before  
40 the earlier of the time the financing statement would have become  
41 ineffective under the law of the jurisdiction designated in section 47-  
42 9301, paragraph 1 or section 47-9305, subsection C or the expiration of  
43 the four-month period remains perfected thereafter. A security interest  
44 that is perfected by the financing statement but that does not become  
45 perfected under the law of the other jurisdiction before the earlier time

1 or event becomes unperfected and is deemed never to have been perfected as  
2 against a purchaser of the collateral for value.

3 Sec. 63. Section 47-9317, Arizona Revised Statutes, is amended to  
4 read:

5 47-9317. Interests that take priority over or take free of  
6 security interest or agricultural lien

7 A. A security interest or agricultural lien is subordinate to the  
8 rights of:

9 1. A person entitled to priority under section 47-9322; and

10 2. Except as otherwise provided in subsection E of this section, a  
11 person that becomes a lien creditor before the earlier of the time:

12 (a) The security interest or agricultural lien is perfected; or

13 (b) One of the conditions specified in section 47-9203, subsection  
14 B, paragraph 3 is met and a financing statement covering the collateral is  
15 filed.

16 B. Except as otherwise provided in subsection E of this section, a  
17 buyer, other than a secured party, of ~~tangible chattel paper, tangible~~  
18 ~~documents,~~ goods, instruments, TANGIBLE DOCUMENTS or a certificated  
19 security takes free of a security interest or agricultural lien if the  
20 buyer gives value and receives delivery of the collateral without  
21 knowledge of the security interest or agricultural lien and before it is  
22 perfected.

23 C. Except as otherwise provided in subsection E of this section, a  
24 lessee of goods takes free of a security interest or agricultural lien if  
25 the lessee gives value and receives delivery of the collateral without  
26 knowledge of the security interest or agricultural lien and before it is  
27 perfected.

28 D. SUBJECT TO SUBSECTIONS F, G, H AND I OF THIS SECTION, a licensee  
29 of a general intangible or a buyer, other than a secured party, of  
30 collateral other than ~~tangible chattel paper, tangible documents,~~  
31 ELECTRONIC MONEY, goods, instruments, TANGIBLE DOCUMENTS or a certificated  
32 security takes free of a security interest if the licensee or buyer gives  
33 value without knowledge of the security interest and before it is  
34 perfected.

35 E. Except as otherwise provided in sections 47-9320 and 47-9321, if  
36 a person files a financing statement with respect to a purchase money  
37 security interest before or within twenty days after the debtor receives  
38 delivery of the collateral, the security interest takes priority over the  
39 rights of a buyer, lessee or lien creditor that arise between the time the  
40 security interest attaches and the time of filing.

41 F. A BUYER, OTHER THAN A SECURED PARTY, OF CHATTEL PAPER TAKES FREE  
42 OF A SECURITY INTEREST IF, WITHOUT KNOWLEDGE OF THE SECURITY INTEREST AND  
43 BEFORE IT IS PERFECTED, THE BUYER GIVES VALUE AND:

44 1. RECEIVES DELIVERY OF EACH AUTHORITATIVE TANGIBLE COPY OF THE  
45 RECORD EVIDENCING THE CHATTEL PAPER; AND

1           2. IF EACH AUTHORITATIVE ELECTRONIC COPY OF THE RECORD EVIDENCING  
2 THE CHATTEL PAPER CAN BE SUBJECTED TO CONTROL UNDER SECTION 47-9105,  
3 OBTAINS CONTROL OF EACH AUTHORITATIVE ELECTRONIC COPY.

4           G. A BUYER OF AN ELECTRONIC DOCUMENT TAKES FREE OF A SECURITY  
5 INTEREST IF, WITHOUT KNOWLEDGE OF THE SECURITY INTEREST AND BEFORE IT IS  
6 PERFECTED, THE BUYER GIVES VALUE AND, IF EACH AUTHORITATIVE ELECTRONIC  
7 COPY OF THE DOCUMENT CAN BE SUBJECTED TO CONTROL UNDER SECTION 47-7106,  
8 OBTAINS CONTROL OF EACH AUTHORITATIVE ELECTRONIC COPY.

9           H. A BUYER OF A CONTROLLABLE ELECTRONIC RECORD TAKES FREE OF A  
10 SECURITY INTEREST IF, WITHOUT KNOWLEDGE OF THE SECURITY INTEREST AND  
11 BEFORE IT IS PERFECTED, THE BUYER GIVES VALUE AND OBTAINS CONTROL OF THE  
12 CONTROLLABLE ELECTRONIC RECORD.

13           I. A BUYER, OTHER THAN A SECURED PARTY, OF A CONTROLLABLE ACCOUNT  
14 OR A CONTROLLABLE PAYMENT INTANGIBLE TAKES FREE OF A SECURITY INTEREST IF,  
15 WITHOUT KNOWLEDGE OF THE SECURITY INTEREST AND BEFORE IT IS PERFECTED, THE  
16 BUYER GIVES VALUE AND OBTAINS CONTROL OF THE CONTROLLABLE ACCOUNT OR  
17 CONTROLLABLE PAYMENT INTANGIBLE.

18           Sec. 64. Section 47-9323, Arizona Revised Statutes, is amended to  
19 read:

20           47-9323. Future advances

21           A. Except as otherwise provided in subsection C of this section,  
22 for purposes of determining the priority of a perfected security interest  
23 under section 47-9322, subsection A, paragraph 1, perfection of the  
24 security interest dates from the time an advance is made to the extent  
25 that the security interest secures an advance that:

26           1. Is made while the security interest is perfected only:

27           (a) Under section 47-9309 when it attaches; or

28           (b) Temporarily under section 47-9312, subsection E, F or G; and

29           2. Is not made pursuant to a commitment entered into before or  
30 while the security interest is perfected by a method other than under  
31 section 47-9309 or section 47-9312, subsection E, F or G.

32           B. Except as otherwise provided in subsection C of this section, a  
33 security interest is subordinate to the rights of a person that becomes a  
34 lien creditor to the extent that the security interest secures an advance  
35 made more than forty-five days after the person becomes a lien creditor  
36 unless the advance is made:

37           1. Without knowledge of the lien; or

38           2. Pursuant to a commitment entered into without knowledge of the  
39 lien.

40           C. Subsections A and B of this section do not apply to a security  
41 interest held by a secured party that is a buyer of accounts, chattel  
42 paper, payment intangibles or promissory notes or a consignor.

43           D. Except as otherwise provided in subsection E of this section, a  
44 buyer of goods ~~other than a buyer in ordinary course of business~~ takes

1 free of a security interest to the extent that it secures advances made  
2 after the earlier of:

3 1. The time the secured party acquires knowledge of the buyer's  
4 purchase; or

5 2. Forty-five days after the purchase.

6 E. Subsection D of this section does not apply if the advance is  
7 made pursuant to a commitment entered into without knowledge of the  
8 buyer's purchase and before the expiration of the forty-five day period.

9 F. Except as otherwise provided in subsection G of this section, a  
10 lessee of goods, ~~other than a lessee in ordinary course of business,~~ takes  
11 the leasehold interest free of a security interest to the extent that it  
12 secures advances made after the earlier of:

13 1. The time the secured party acquires knowledge of the lease; or

14 2. Forty-five days after the lease contract becomes enforceable.

15 G. Subsection F of this section does not apply if the advance is  
16 made pursuant to a commitment entered into without knowledge of the lease  
17 and before the expiration of the forty-five day period.

18 Sec. 65. Section 47-9324, Arizona Revised Statutes, is amended to  
19 read:

20 47-9324. Priority of purchase money security interests

21 A. Except as otherwise provided in subsection G of this section, a  
22 perfected purchase money security interest in goods other than inventory  
23 or livestock has priority over a conflicting security interest in the same  
24 goods, and, except as otherwise provided in section 47-9327, a perfected  
25 security interest in its identifiable proceeds also has priority, if the  
26 purchase money security interest is perfected when the debtor receives  
27 possession of the collateral or within twenty days thereafter.

28 B. Subject to subsection C of this section and except as otherwise  
29 provided in subsection G of this section, a perfected purchase money  
30 security interest in inventory has priority over a conflicting security  
31 interest in the same inventory, has priority over a conflicting security  
32 interest in chattel paper or an instrument constituting proceeds of the  
33 inventory and in proceeds of the chattel paper, if so provided in section  
34 47-9330, and, except as otherwise provided in section 47-9327, also has  
35 priority in identifiable cash proceeds of the inventory to the extent the  
36 identifiable cash proceeds are received on or before the delivery of the  
37 inventory to a buyer, if:

38 1. The purchase money security interest is perfected when the  
39 debtor receives possession of the inventory;

40 2. The purchase money secured party sends ~~an authenticated~~ A SIGNED  
41 notification to the holder of the conflicting security interest;

42 3. The holder of the conflicting security interest receives the  
43 notification within five years before the debtor receives possession of  
44 the inventory; and

1           4. The notification states that the person sending the notification  
2 has or expects to acquire a purchase money security interest in inventory  
3 of the debtor and describes the inventory.

4           C. Subsection B, paragraphs 2, 3 and 4 of this section apply only  
5 if the holder of the conflicting security interest had filed a financing  
6 statement covering the same types of inventory:

7           1. If the purchase money security interest is perfected by filing,  
8 before the date of the filing; or

9           2. If the purchase money security interest is temporarily perfected  
10 without filing or possession under section 47-9312, subsection F, before  
11 the beginning of the twenty day period thereunder.

12           D. Subject to subsection E of this section and except as otherwise  
13 provided in subsection G of this section, a perfected purchase money  
14 security interest in livestock that are farm products has priority over a  
15 conflicting security interest in the same livestock, and, except as  
16 otherwise provided in section 47-9327, a perfected security interest in  
17 their identifiable proceeds and identifiable products in their  
18 unmanufactured states also has priority, if:

19           1. The purchase money security interest is perfected when the  
20 debtor receives possession of the livestock;

21           2. The purchase money secured party sends ~~an authenticated~~ A SIGNED  
22 notification to the holder of the conflicting security interest;

23           3. The holder of the conflicting security interest receives the  
24 notification within six months before the debtor receives possession of  
25 the livestock; and

26           4. The notification states that the person sending the notification  
27 has or expects to acquire a purchase money security interest in livestock  
28 of the debtor and describes the livestock.

29           E. Subsection D, paragraphs 2, 3 and 4 of this section apply only  
30 if the holder of the conflicting security interest had filed a financing  
31 statement covering the same types of livestock:

32           1. If the purchase money security interest is perfected by filing,  
33 before the date of the filing; or

34           2. If the purchase money security interest is temporarily perfected  
35 without filing or possession under section 47-9312, subsection F, before  
36 the beginning of the twenty day period thereunder.

37           F. Except as otherwise provided in subsection G of this section, a  
38 perfected purchase money security interest in software has priority over a  
39 conflicting security interest in the same collateral, and, except as  
40 otherwise provided in section 47-9327, a perfected security interest in  
41 its identifiable proceeds also has priority, to the extent that the  
42 purchase money security interest in the goods in which the software was  
43 acquired for use has priority in the goods and proceeds of the goods under  
44 this section.

1 G. If more than one security interest qualifies for priority in the  
2 same collateral under subsection A, B, D or F of this section:

3 1. A security interest securing an obligation incurred as all or  
4 part of the price of the collateral has priority over a security interest  
5 securing an obligation incurred for value given to enable the debtor to  
6 acquire rights in or the use of collateral; and

7 2. In all other cases, section 47-9322, subsection A applies to the  
8 qualifying security interests.

9 Sec. 66. Title 47, chapter 9, article 3, Arizona Revised Statutes,  
10 is amended by adding section 47-9326A, to read:

11 47-9326A. PRIORITY OF SECURITY INTEREST IN CONTROLLABLE  
12 ACCOUNT, CONTROLLABLE ELECTRONIC RECORD AND  
13 CONTROLLABLE PAYMENT INTANGIBLE

14 A SECURITY INTEREST IN A CONTROLLABLE ACCOUNT, CONTROLLABLE  
15 ELECTRONIC RECORD OR CONTROLLABLE PAYMENT INTANGIBLE HELD BY A SECURED  
16 PARTY HAVING CONTROL OF THE ACCOUNT, ELECTRONIC RECORD OR PAYMENT  
17 INTANGIBLE HAS PRIORITY OVER A CONFLICTING SECURITY INTEREST HELD BY A  
18 SECURED PARTY THAT DOES NOT HAVE CONTROL.

19 Sec. 67. Section 47-9330, Arizona Revised Statutes, is amended to  
20 read:

21 47-9330. Priority of purchaser of chattel paper or instrument

22 A. A purchaser of chattel paper has priority over a security  
23 interest in the chattel paper that is claimed merely as proceeds of  
24 inventory subject to a security interest if:

25 1. In good faith and in the ordinary course of the purchaser's  
26 business, the purchaser gives new value, ~~and~~ takes possession of EACH  
27 AUTHORITATIVE TANGIBLE COPY OF THE RECORD EVIDENCING the chattel paper, ~~or~~  
28 AND obtains control ~~of~~ UNDER SECTION 47-9105 OF EACH AUTHORITATIVE  
29 ELECTRONIC COPY OF THE RECORD EVIDENCING the chattel paper ~~under section~~  
30 ~~47-9105~~; and

31 2. The ~~chattel paper does~~ AUTHORITATIVE COPIES OF THE RECORD  
32 EVIDENCING THE CHATTEL PAPER DO not indicate that ~~it~~ THE CHATTEL PAPER has  
33 been assigned to an identified assignee other than the purchaser.

34 B. A purchaser of chattel paper has priority over a security  
35 interest in the chattel paper that is claimed other than merely as  
36 proceeds of inventory subject to a security interest if the purchaser  
37 gives new value, ~~and~~ takes possession of EACH AUTHORITATIVE TANGIBLE COPY  
38 OF THE RECORD EVIDENCING the chattel paper, ~~or~~ AND obtains control ~~of~~  
39 UNDER SECTION 47-9105 OF EACH AUTHORITATIVE ELECTRONIC COPY OF THE RECORD  
40 EVIDENCING the chattel paper ~~under section 47-9105~~ in good faith, in the  
41 ordinary course of the purchaser's business and without knowledge that the  
42 purchase violates the rights of the secured party.

43 C. Except as otherwise provided in section 47-9327, a purchaser  
44 having priority in chattel paper under subsection A or B of this section  
45 also has priority in proceeds of the chattel paper to the extent that:



1           1. Section 47-9322 provides for priority in the proceeds; or  
2           2. The proceeds consist of the specific goods covered by the  
3 chattel paper or cash proceeds of the specific goods, even if the  
4 purchaser's security interest in the proceeds is unperfected.

5           D. Except as otherwise provided in section 47-9331, subsection A, a  
6 purchaser of an instrument has priority over a security interest in the  
7 instrument perfected by a method other than possession if the purchaser  
8 gives value and takes possession of the instrument in good faith and  
9 without knowledge that the purchase violates the rights of the secured  
10 party.

11           E. For purposes of subsections A and B of this section, the holder  
12 of a purchase money security interest in inventory gives new value for  
13 chattel paper constituting proceeds of the inventory.

14           F. For purposes of subsections B and D of this section, if **THE**  
15 **AUTHORITATIVE COPIES OF THE RECORD EVIDENCING** chattel paper or an  
16 instrument ~~indicates~~ **INDICATE** that ~~it~~ **THE CHATTEL PAPER OR INSTRUMENT** has  
17 been assigned to an identified secured party other than the purchaser, a  
18 purchaser of the chattel paper or instrument has knowledge that the  
19 purchase violates the rights of the secured party.

20           Sec. 68. Section 47-9331, Arizona Revised Statutes, is amended to  
21 read:

22           **47-9331. Priority of rights of purchasers of instruments,**  
23                                   **CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC**  
24                                   **RECORDS, CONTROLLABLE PAYMENT INTANGIBLES,**  
25                                   **documents, INSTRUMENTS and securities under other**  
26                                   **chapters; priority of interests in financial**  
27                                   **assets and security entitlements AND PROTECTION**  
28                                   **AGAINST ASSERTION OF CLAIM under ~~chapter~~ CHAPTERS**  
29                                   **8 AND 12 of this title**

30           A. This ~~article~~ **CHAPTER** does not limit the rights of a holder in  
31 due course of a negotiable instrument, a holder to which a negotiable  
32 document of title has been duly negotiated, ~~or~~ a protected purchaser of a  
33 security **OR A QUALIFYING PURCHASER OF A CONTROLLABLE ACCOUNT, CONTROLLABLE**  
34 **ELECTRONIC RECORD OR CONTROLLABLE PAYMENT INTANGIBLE**. These holders or  
35 purchasers take priority over an earlier security interest, even if  
36 perfected, to the extent provided in chapters 3, 7, ~~and~~ **8 AND 12** of this  
37 title.

38           B. This chapter does not limit the rights of or impose liability on  
39 a person to the extent that the person is protected against the assertion  
40 of a claim under chapter 8 **OR 12** of this title.

41           C. Filing under this article does not constitute notice of a claim  
42 or defense to the holders, or purchasers, or persons described in  
43 subsections A and B.



1           Sec. 69. Section 47-9332, Arizona Revised Statutes, is amended to  
2 read:

3           47-9332. Transfer of money; transfer of funds from deposit  
4                                   account

5           A. A transferee of TANGIBLE money takes the money free of a  
6 security interest ~~unless the transferee acts~~ IF THE TRANSFEREE RECEIVES  
7 POSSESSION OF THE MONEY WITHOUT ACTING in collusion with the debtor in  
8 violating the rights of the secured party.

9           B. A transferee of funds from a deposit account takes the funds  
10 free of a security interest in the deposit account ~~unless the transferee~~  
11 ~~acts~~ IF THE TRANSFEREE RECEIVES THE FUNDS WITHOUT ACTING in collusion with  
12 the debtor in violating the rights of the secured party.

13           C. A TRANSFEREE OF ELECTRONIC MONEY TAKES THE MONEY FREE OF A  
14 SECURITY INTEREST IF THE TRANSFEREE OBTAINS CONTROL OF THE MONEY WITHOUT  
15 ACTING IN COLLUSION WITH THE DEBTOR IN VIOLATING THE RIGHTS OF THE SECURED  
16 PARTY.

17           Sec. 70. Section 47-9334, Arizona Revised Statutes, is amended to  
18 read:

19           47-9334. Priority of security interests in fixtures and crops

20           A. A security interest under this chapter may be created in goods  
21 that are fixtures or may continue in goods that become fixtures. A  
22 security interest does not exist under this chapter in ordinary building  
23 materials incorporated into an improvement on land.

24           B. This chapter does not prevent creation of an encumbrance on  
25 fixtures under real property law.

26           C. In cases not governed by subsections D through H of this  
27 section, a security interest in fixtures is subordinate to a conflicting  
28 interest of an encumbrancer or owner of the related real property other  
29 than the debtor.

30           D. Except as otherwise provided in subsection H of this section, a  
31 perfected security interest in fixtures has priority over a conflicting  
32 interest of an encumbrancer or owner of the real property if the debtor  
33 has an interest of record in or is in possession of the real property and:

- 34           1. The security interest is a purchase money security interest;
- 35           2. The interest of the encumbrancer or owner arises before the  
36 goods become fixtures; and
- 37           3. The security interest is perfected by a fixture filing before  
38 the goods become fixtures or within twenty days thereafter.

39           E. A perfected security interest in fixtures has priority over a  
40 conflicting interest of an encumbrancer or owner of the real property if:

- 41           1. The debtor has an interest of record in the real property or is  
42 in possession of the real property and the security interest:
  - 43           (a) Is perfected by a fixture filing before the interest of the  
44 encumbrancer or owner is of record; and

1 (b) Has priority over any conflicting interest of a predecessor in  
2 title of the encumbrancer or owner;

3 2. Before the goods become fixtures, the security interest is  
4 perfected by any method permitted by this chapter and the fixtures are  
5 readily removable:

6 (a) Factory or office machines;

7 (b) Equipment that is not primarily used or leased for use in the  
8 operation of the real property; or

9 (c) Replacements of domestic appliances that are consumer goods;

10 3. The conflicting interest is a lien on the real property obtained  
11 by legal or equitable proceedings after the security interest was  
12 perfected by any method permitted by this chapter; or

13 4. The security interest is:

14 (a) Created in a manufactured home in a manufactured home  
15 transaction; and

16 (b) Perfected pursuant to a statute described in section 47-9311,  
17 subsection A, paragraph 2.

18 F. A security interest in fixtures, whether or not perfected, has  
19 priority over a conflicting interest of an encumbrancer or owner of the  
20 real property if:

21 1. The encumbrancer or owner has consented, in ~~an authenticated~~ A  
22 SIGNED record, to the security interest or disclaimed an interest in the  
23 goods as fixtures; or

24 2. The debtor has a right to remove the goods as against the  
25 encumbrancer or owner.

26 G. The priority of the security interest under subsection F,  
27 paragraph 2 of this section continues for a reasonable time if the  
28 debtor's right to remove the goods as against the encumbrancer or owner  
29 terminates.

30 H. A mortgage is a construction mortgage to the extent that it  
31 secures an obligation incurred for the construction of an improvement on  
32 land, including the acquisition cost of the land, if a recorded record of  
33 the mortgage so indicates. Except as otherwise provided in subsections E  
34 and F of this section, a security interest in fixtures is subordinate to a  
35 construction mortgage if a record of the mortgage is recorded before the  
36 goods become fixtures and the goods become fixtures before the completion  
37 of the construction. A mortgage has this priority to the same extent as a  
38 construction mortgage to the extent that it is given to refinance a  
39 construction mortgage.

40 I. A perfected security interest in crops growing on real property  
41 has priority over a conflicting interest of an encumbrancer or owner of  
42 the real property if the debtor has an interest of record in or is in  
43 possession of the real property.

1           Sec. 71. Section 47-9341, Arizona Revised Statutes, is amended to  
2 read:

3           47-9341. Bank's rights and duties with respect to deposit  
4                                   account

5           Except as otherwise provided in section 47-9340, subsection C, and  
6 unless the bank otherwise agrees in ~~an authenticated~~ A SIGNED record, a  
7 bank's rights and duties with respect to a deposit account maintained with  
8 the bank are not terminated, suspended or modified by:

- 9           1. The creation, attachment or perfection of a security interest in  
10 the deposit account;  
11           2. The bank's knowledge of the security interest; or  
12           3. The bank's receipt of instructions from the secured party.

13           Sec. 72. Section 47-9404, Arizona Revised Statutes, is amended to  
14 read:

15           47-9404. Rights acquired by assignee; claims and defenses  
16                                   against assignee

17           A. Unless an account debtor has made an enforceable agreement not  
18 to assert defenses or claims, and subject to subsections B through E, the  
19 rights of an assignee are subject to:

- 20           1. All terms of the agreement between the account debtor and  
21 assignor and any defense or claim in recoupment arising from the  
22 transaction that gave rise to the contract; and  
23           2. Any other defense or claim of the account debtor against the  
24 assignor that accrues before the account debtor receives a notification of  
25 the assignment ~~authenticated~~ SIGNED by the assignor or the assignee.

26           B. Subject to subsection C and except as otherwise provided in  
27 subsection D, the claim of an account debtor against an assignor may be  
28 asserted against an assignee under subsection A only to reduce the amount  
29 the account debtor owes.

30           C. This section is subject to law other than this chapter that  
31 establishes a different rule for an account debtor who is an individual  
32 and who incurred the obligation primarily for personal, family or  
33 household purposes.

34           D. In a consumer transaction, if a record evidences the account  
35 debtor's obligation, law other than this chapter requires that the record  
36 include a statement to the effect that the account debtor's recovery  
37 against an assignee with respect to claims and defenses against the  
38 assignor may not exceed amounts paid by the account debtor under the  
39 record, and the record does not include such a statement, the extent to  
40 which a claim of an account debtor against the assignor may be asserted  
41 against an assignee is determined as if the record included such a  
42 statement.

43           E. This section does not apply to an assignment of a  
44 health-care-insurance receivable.

1           Sec. 73. Section 47-9406, Arizona Revised Statutes, is amended to  
2 read:

3           47-9406. Discharge of account debtor; notification of  
4                                   assignment; identification and proof of  
5                                   assignment; restrictions on assignment of  
6                                   accounts, chattel paper, payment intangibles and  
7                                   promissory notes ineffective

8           A. Subject to subsections B through H AND K of this section, an  
9 account debtor on an account, chattel paper or a payment intangible may  
10 discharge its obligation by paying the assignor until, but not after, the  
11 account debtor receives a notification, ~~authenticated~~ SIGNED by the  
12 assignor or the assignee, that the amount due or to become due has been  
13 assigned and that payment is to be made to the assignee. After receipt of  
14 the notification, the account debtor may discharge its obligation by  
15 paying the assignee and may not discharge the obligation by paying the  
16 assignor.

17           B. Subject to ~~subsection~~ SUBSECTIONS H AND K of this section,  
18 notification is ineffective under subsection A of this section:

19           1. If it does not reasonably identify the rights assigned;

20           2. To the extent that an agreement between an account debtor and a  
21 seller of a payment intangible limits the account debtor's duty to pay a  
22 person other than the seller and the limitation is effective under law  
23 other than this chapter; or

24           3. At the option of an account debtor, if the notification notifies  
25 the account debtor to make less than the full amount of any installment or  
26 other periodic payment to the assignee, even if:

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

29           (b) A portion has been assigned to another assignee; or

30           (c) The account debtor knows that the assignment to that assignee  
31 is limited.

32           C. Subject to ~~subsection~~ SUBSECTIONS H AND K of this section, if  
33 requested by the account debtor, an assignee shall seasonably furnish  
34 reasonable proof that the assignment has been made. Unless the assignee  
35 complies, the account debtor may discharge its obligation by paying the  
36 assignor, even if the account debtor has received a notification under  
37 subsection A of this section.

38           D. IN THIS SUBSECTION, "PROMISSORY NOTE" INCLUDES A NEGOTIABLE  
39 INSTRUMENT THAT EVIDENCES CHATTEL PAPER. Except as otherwise provided in  
40 subsection E of this section and sections 47-2A303 and 47-9407, and  
41 subject to subsection H of this section, a term in an agreement between an  
42 account debtor and an assignor or in a promissory note is ineffective to  
43 the extent that it:

44           1. Prohibits, restricts or requires the consent of the account  
45 debtor or person obligated on the promissory note to the assignment or

1 transfer of, or the creation, attachment, perfection or enforcement of a  
2 security interest in, the account, chattel paper, payment intangible or  
3 promissory note; or

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

9 E. Subsection D of this section does not apply to the sale of a  
10 payment intangible or promissory note, other than a sale pursuant to a  
11 disposition under section 47-9610 or an acceptance of collateral under  
12 section 47-9620.

13 F. Except as otherwise provided in sections 47-2A303 and 47-9407  
14 and subject to subsections H and J of this section, a rule of law, statute  
15 or regulation that prohibits, restricts or requires the consent of a  
16 government, governmental body or official, or account debtor to the  
17 assignment or transfer of, or creation of a security interest in, an  
18 account or chattel paper, is ineffective to the extent that the rule of  
19 law, statute or regulation:

20 1. Prohibits, restricts or requires the consent of the government,  
21 governmental body or official, or account debtor to the assignment or  
22 transfer of, or the creation, attachment, perfection or enforcement of a  
23 security interest in, the account or chattel paper; or

24 2. Provides that the assignment or transfer or the creation,  
25 attachment, perfection or enforcement of the security interest may give  
26 rise to a default, breach, right of recoupment, claim, defense,  
27 termination, right of termination or remedy under the account or chattel  
28 paper.

29 G. Subject to ~~subsection~~ SUBSECTIONS H AND K of this section, an  
30 account debtor shall not waive or vary its option under subsection B,  
31 paragraph 3 of this section.

32 H. This section is subject to law other than this chapter that  
33 establishes a different rule for an account debtor who is an individual  
34 and who incurred the obligation primarily for personal, family or  
35 household purposes.

36 I. This section does not apply to an assignment of a  
37 health-care-insurance receivable.

38 J. This section prevails over any inconsistent provisions in any  
39 statutes, rules and regulations.

40 K. SUBSECTIONS A, B, C AND G OF THIS SECTION DO NOT APPLY TO A  
41 CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE.

1           Sec. 74. Section 47-9408, Arizona Revised Statutes, is amended to  
2 read:

3           47-9408. Restrictions on assignment of promissory notes,  
4                           health-care-insurance receivables and certain  
5                           general intangibles ineffective

6           A. Except as otherwise provided in subsection B of this section, a  
7 term in a promissory note or in an agreement between an account debtor and  
8 a debtor that relates to a health-care-insurance receivable or a general  
9 intangible, including a contract, permit, license or franchise, and which  
10 term prohibits, restricts or requires the consent of the person obligated  
11 on the promissory note or the account debtor to, the assignment or  
12 transfer of, or creation, attachment or perfection of a security interest  
13 in, the promissory note, health-care-insurance receivable or general  
14 intangible, is ineffective to the extent that the term:

15           1. Would impair the creation, attachment or perfection of a  
16 security interest; or

17           2. Provides that the assignment or transfer or the creation,  
18 attachment or perfection of the security interest may give rise to a  
19 default, breach, right of recoupment, claim, defense, termination, right  
20 of termination or remedy under the promissory note, health-care-insurance  
21 receivable or general intangible.

22           B. Subsection A of this section applies to a security interest in a  
23 payment intangible or promissory note only if the security interest arises  
24 out of a sale of the payment intangible or promissory note, other than a  
25 sale pursuant to a disposition under section 47-9610 or an acceptance of  
26 collateral under section 47-9620.

27           C. A rule of law, statute or regulation that prohibits, restricts  
28 or requires the consent of a government, governmental body or official,  
29 person obligated on a promissory note or account debtor to the assignment  
30 or transfer of, or creation of a security interest in, a promissory note,  
31 health-care-insurance receivable or general intangible, including a  
32 contract, permit, license or franchise between an account debtor and a  
33 debtor, is ineffective to the extent that the rule of law, statute or  
34 regulation:

35           1. Would impair the creation, attachment or perfection of a  
36 security interest; or

37           2. Provides that the assignment or transfer or the creation,  
38 attachment or perfection of the security interest may give rise to a  
39 default, breach, right of recoupment, claim, defense, termination, right  
40 of termination or remedy under the promissory note, health-care-insurance  
41 receivable or general intangible.

42           D. To the extent that a term in a promissory note or in an  
43 agreement between an account debtor and a debtor that relates to a  
44 health-care-insurance receivable or general intangible or a rule of law,  
45 statute or regulation described in subsection C of this section would be

1 effective under law other than this chapter but is ineffective under  
2 subsection A or C of this section, the creation, attachment or perfection  
3 of a security interest in the promissory note, health-care-insurance  
4 receivable or general intangible:

5 1. Is not enforceable against the person obligated on the  
6 promissory note or the account debtor;

7 2. Does not impose a duty or obligation on the person obligated on  
8 the promissory note or the account debtor;

9 3. Does not require the person obligated on the promissory note or  
10 the account debtor to recognize the security interest, pay or render  
11 performance to the secured party or accept payment or performance from the  
12 secured party;

13 4. Does not entitle the secured party to use or assign the debtor's  
14 rights under the promissory note, health-care-insurance receivable or  
15 general intangible, including any related information or materials  
16 furnished to the debtor in the transaction giving rise to the promissory  
17 note, health-care-insurance receivable or general intangible;

18 5. Does not entitle the secured party to use, assign, possess or  
19 have access to any trade secrets or confidential information of the person  
20 obligated on the promissory note or the account debtor; and

21 6. Does not entitle the secured party to enforce the security  
22 interest in the promissory note, health-care-insurance receivable or  
23 general intangible.

24 E. This section prevails over any inconsistent provisions in title  
25 33, chapter 7.

26 F. IN THIS SECTION, "PROMISSORY NOTE" INCLUDES A NEGOTIABLE  
27 INSTRUMENT THAT EVIDENCES CHATTEL PAPER.

28 Sec. 75. Section 47-9509, Arizona Revised Statutes, is amended to  
29 read:

30 47-9509. Persons entitled to file a record

31 A. A person may file an initial financing statement, amendment that  
32 adds collateral covered by a financing statement or amendment that adds a  
33 debtor to a financing statement only if:

34 1. The debtor authorizes the filing in ~~an authenticated~~ A SIGNED  
35 record or pursuant to subsection B or C of this section; or

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

39 B. By ~~authenticating~~ SIGNING or becoming bound as debtor by a  
40 security agreement, a debtor or new debtor authorizes the filing of an  
41 initial financing statement, and an amendment, covering:

42 1. The collateral described in the security agreement; and

43 2. Property that becomes collateral under section 47-9315,  
44 subsection A, paragraph 2, whether or not the security agreement expressly  
45 covers proceeds.

1 C. A person may file an amendment other than an amendment that adds  
2 collateral covered by a financing statement or an amendment that adds a  
3 debtor to a financing statement only if:

4 1. The secured party of record authorizes the filing; or

5 2. The amendment is a termination statement for a financing  
6 statement as to which the secured party of record has failed to file or  
7 send a termination statement as required by section 47-9513, subsection A  
8 or C, the debtor authorizes the filing and the termination statement  
9 indicates that the debtor authorized it to be filed.

10 D. If there is more than one secured party of record for a  
11 financing statement, each secured party of record may authorize the filing  
12 of an amendment under subsection C of this section.

13 Sec. 76. Section 47-9513, Arizona Revised Statutes, is amended to  
14 read:

15 47-9513. Termination statement

16 A. A secured party shall cause the secured party of record for a  
17 financing statement to file a termination statement for the financing  
18 statement if the financing statement covers consumer goods and:

19 1. There is no obligation secured by the collateral covered by the  
20 financing statement and no commitment to make an advance, incur an  
21 obligation or otherwise give value; or

22 2. The debtor did not authorize the filing of the initial financing  
23 statement.

24 B. To comply with subsection A of this section, a secured party  
25 shall cause the secured party of record to file the termination statement:

26 1. Within one month after there is no obligation secured by the  
27 collateral covered by the financing statement and no commitment to make an  
28 advance, incur an obligation or otherwise give value; or

29 2. If earlier, within twenty days after the secured party receives  
30 ~~an authenticated~~ A SIGNED demand from a debtor.

31 C. In cases not governed by subsection A of this section, within  
32 twenty days after a secured party receives ~~an authenticated~~ A SIGNED  
33 demand from a debtor, the secured party shall cause the secured party of  
34 record for a financing statement to send to the debtor a termination  
35 statement for the financing statement or file the termination statement in  
36 the filing office if:

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

42 2. The financing statement covers accounts or chattel paper that  
43 has been sold but as to which the account debtor or other person obligated  
44 has discharged its obligation;



1           3. The financing statement covers goods that were the subject of a  
2 consignment to the debtor but are not in the debtor's possession; or

3           4. The debtor did not authorize the filing of the initial financing  
4 statement.

5           D. Except as otherwise provided in section 47-9510, upon the filing  
6 of a termination statement with the filing office, the financing statement  
7 to which the termination statement relates ceases to be effective. Except  
8 as otherwise provided in section 47-9510, for purposes of section 47-9519,  
9 subsection G, section 47-9522, subsection A and section 47-9523,  
10 subsection C, the filing with the filing office of a termination statement  
11 relating to a financing statement that indicates that the debtor is a  
12 transmitting utility also causes the effectiveness of the financing  
13 statement to lapse.

14           Sec. 77. Section 47-9601, Arizona Revised Statutes, is amended to  
15 read:

16           47-9601. Rights after default; judicial enforcement;  
17                                   consignor or buyer of accounts, chattel paper,  
18                                   payment intangibles or promissory notes

19           A. After default, a secured party has the rights provided in this  
20 article and, except as otherwise provided in section 47-9602, those  
21 provided by agreement of the parties. A secured party:

22           1. May reduce a claim to judgment, foreclose or otherwise enforce  
23 the claim, security interest or agricultural lien by any available  
24 judicial procedure; and

25           2. If the collateral is documents, may proceed either as to the  
26 documents or as to the goods they cover.

27           B. A secured party in possession of collateral or control of  
28 collateral under section 47-7106, 47-9104, 47-9105, 47-9105A, 47-9106, ~~or~~  
29 47-9107 OR 47-9107A has the rights and duties provided in section 47-9207.

30           C. The rights under subsections A and B of this section are  
31 cumulative and may be exercised simultaneously.

32           D. Except as otherwise provided in subsection G of this section and  
33 section 47-9605, after default, a debtor and an obligor have the rights  
34 provided in this article and by agreement of the parties.

35           E. If a secured party has reduced its claim to judgment, the lien  
36 of any levy that may be made on the collateral by virtue of an execution  
37 based on the judgment relates back to the earliest of:

38           1. The date of perfection of the security interest or agricultural  
39 lien in the collateral;

40           2. The date of filing a financing statement covering the  
41 collateral; or

42           3. Any date specified in a statute under which the agricultural  
43 lien was created.

44           F. A sale pursuant to an execution is a foreclosure of the security  
45 interest or agricultural lien by judicial procedure within the meaning of

1 this section. A secured party may purchase at the sale and thereafter  
2 hold the collateral free of any other requirements of this chapter.

3 G. Except as otherwise provided in section 47-9607, subsection C,  
4 this article imposes no duties on a secured party that is a consignor or  
5 is a buyer of accounts, chattel paper, payment intangibles or promissory  
6 notes.

7 Sec. 78. Section 47-9605, Arizona Revised Statutes, is amended to  
8 read:

9 47-9605. Unknown debtor or secondary obligor

10 A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, a secured  
11 party does not owe a duty based on its status as secured party:

12 1. To a person that is a debtor or obligor, unless the secured  
13 party knows:

14 (a) That the person is a debtor or obligor;

15 (b) The identity of the person; and

16 (c) How to communicate with the person; or

17 2. To a secured party or lienholder that has filed a financing  
18 statement against a person, unless the secured party knows:

19 (a) That the person is a debtor; and

20 (b) The identity of the person.

21 B. A SECURED PARTY OWES A DUTY BASED ON ITS STATUS AS A SECURED  
22 PARTY TO A PERSON IF, AT THE TIME THE SECURED PARTY OBTAINS CONTROL OF  
23 COLLATERAL THAT IS A CONTROLLABLE ACCOUNT, CONTROLLABLE ELECTRONIC RECORD  
24 OR CONTROLLABLE PAYMENT INTANGIBLE OR AT THE TIME THE SECURITY INTEREST  
25 ATTACHES TO THE COLLATERAL, WHICHEVER IS LATER:

26 1. THE PERSON IS A DEBTOR OR OBLIGOR; AND

27 2. THE SECURED PARTY KNOWS THAT THE INFORMATION IN SUBSECTION A,  
28 PARAGRAPH 1, SUBDIVISION (a), (b) OR (c) OF THIS SECTION RELATING TO THE  
29 PERSON IS NOT PROVIDED BY THE COLLATERAL, A RECORD ATTACHED TO OR  
30 LOGICALLY ASSOCIATED WITH THE COLLATERAL OR THE SYSTEM IN WHICH THE  
31 COLLATERAL IS RECORDED.

32 Sec. 79. Section 47-9608, Arizona Revised Statutes, is amended to  
33 read:

34 47-9608. Application of proceeds of collection or  
35 enforcement; liability for deficiency and right to  
36 surplus

37 A. If a security interest or agricultural lien secures payment or  
38 performance of an obligation, the following rules apply:

39 1. A secured party shall apply or pay over for application the cash  
40 proceeds of collection or enforcement under section 47-9607 in the  
41 following order to:

42 (a) The reasonable expenses of collection and enforcement and, to  
43 the extent provided for by agreement and not prohibited by law, reasonable  
44 attorney fees and legal expenses incurred by the secured party;

1 (b) The satisfaction of obligations secured by the security  
2 interest or agricultural lien under which the collection or enforcement is  
3 made; and

4 (c) The satisfaction of obligations secured by any subordinate  
5 security interest in or other lien on the collateral subject to the  
6 security interest or agricultural lien under which the collection or  
7 enforcement is made if the secured party receives ~~an authenticated~~ A  
8 SIGNED demand for proceeds before distribution of the proceeds is  
9 completed.

10 2. If requested by a secured party, a holder of a subordinate  
11 security interest or other lien shall furnish reasonable proof of the  
12 interest or lien within a reasonable time. Unless the holder complies,  
13 the secured party need not comply with the holder's demand under paragraph  
14 1, subdivision (c).

15 3. A secured party need not apply or pay over for application  
16 noncash proceeds of collection and enforcement under section 47-9607  
17 unless the failure to do so would be commercially unreasonable. A secured  
18 party that applies or pays over for application noncash proceeds shall do  
19 so in a commercially reasonable manner.

20 4. A secured party shall account to and pay a debtor for any  
21 surplus, and the obligor is liable for any deficiency.

22 B. If the underlying transaction is a sale of accounts, chattel  
23 paper, payment intangibles or promissory notes, the debtor is not entitled  
24 to any surplus, and the obligor is not liable for any deficiency.

25 Sec. 80. Section 47-9611, Arizona Revised Statutes, is amended to  
26 read:

27 47-9611. Notification before disposition of collateral

28 A. In this section, "notification date" means the earlier of the  
29 date on which:

30 1. A secured party sends to the debtor and any secondary obligor ~~an~~  
31 ~~authenticated~~ A SIGNED notification of disposition; or

32 2. The debtor and any secondary obligor waive the right to  
33 notification.

34 B. Except as otherwise provided in subsection D of this section, a  
35 secured party that disposes of collateral under section 47-9610 shall send  
36 to the persons specified in subsection C of this section a reasonable  
37 ~~authenticated~~ SIGNED notification of disposition.

38 C. To comply with subsection B of this section, the secured party  
39 shall send ~~an authenticated~~ A SIGNED notification of disposition to:

40 1. The debtor;

41 2. Any secondary obligor; and

42 3. If the collateral is other than consumer goods:

43 (a) Any other person from which the secured party has received,  
44 before the notification date, ~~an authenticated~~ A SIGNED notification of a  
45 claim of an interest in the collateral;

1 (b) Any other secured party or lienholder that, ten days before the  
2 notification date, held a security interest in or other lien on the  
3 collateral perfected by the filing of a financing statement that:

4 (i) Identified the collateral;

5 (ii) Was indexed under the debtor's name as of that date; and

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

8 (c) Any other secured party that, ten days before the notification  
9 date, held a security interest in the collateral perfected by compliance  
10 with a statute, regulation or treaty described in section 47-9311,  
11 subsection A.

12 D. Subsection B of this section does not apply if the collateral is  
13 perishable or threatens to decline speedily in value or is of a type  
14 customarily sold on a recognized market.

15 E. A secured party complies with the requirement for notification  
16 prescribed by subsection C, paragraph 3, subdivision (b) of this section  
17 if:

18 1. Not later than twenty days or earlier than thirty days before  
19 the notification date, the secured party requests, in a commercially  
20 reasonable manner, information concerning financing statements indexed  
21 under the debtor's name in the office indicated in subsection C, paragraph  
22 3, subdivision (b) of this section; and

23 2. Before the notification date, the secured party:

24 (a) Did not receive a response to the request for information; or

25 (b) Received a response to the request for information and sent ~~an~~  
26 ~~authenticated~~ A SIGNED notification of disposition to each secured party  
27 named in that response and whose financing statement covered the  
28 collateral.

29 Sec. 81. Section 47-9613, Arizona Revised Statutes, is amended to  
30 read:

31 47-9613. Contents and form of notification before disposition  
32 of collateral; general

33 A. Except in a consumer goods transaction, the following rules  
34 apply:

35 1. The contents of a notification of disposition are sufficient if  
36 the notification:

37 (a) Describes the debtor and the secured party;

38 (b) Describes the collateral that is the subject of the intended  
39 disposition;

40 (c) States the method of intended disposition;

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

43 (e) States the time and place of a public disposition or the time  
44 after which any other disposition is to be made.

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

4           3. The contents of a notification providing substantially the  
5 information specified in paragraph 1 of this section are sufficient, even  
6 if the notification includes:

7           (a) Information not specified by that paragraph; or

8           (b) Minor errors that are not seriously misleading.

9           4. A particular phrasing of the notification is not required.

10           5. The following form of notification and the form appearing in  
11 section 47-9614, **SUBSECTION A**, paragraph 3, when completed **IN ACCORDANCE**  
12 **WITH THE INSTRUCTIONS IN SUBSECTION B OF THIS SECTION AND SECTION 47-9614,**  
13 **SUBSECTION B**, each provides sufficient information:

14           Notification of Disposition of Collateral

15           To:     f(Name of debtor, obligor, or other person to which the  
16 notification is sent)

17           From:   f(Name, address, and telephone number of secured  
18 party)

19           {1} Name of ~~Debtor(s)~~ ~~[include only if debtor(s) are not an~~  
20 ~~addressee]~~ **ANY DEBTOR THAT IS NOT AN ADDRESSEE: (NAME OF EACH**  
21 **DEBTOR)**

22           ~~[For a public disposition:]~~

23           {2} We will sell ~~[or lease or license, as applicable]~~  
24 ~~the~~    f(describe collateral)    f(to the highest  
25 qualified bidder) ~~in~~ **AT public SALE. A SALE COULD INCLUDE A**  
26 **LEASE OR LICENSE. THE SALE WILL BE HELD as follows:**

27           ~~Day and (Date:)~~

28           ~~(Time:)~~

29           ~~(Place:)~~

30           ~~[For a private disposition:]~~

31           {3} We will sell ~~[or lease or license, as applicable]~~  
32 ~~the~~    f(describe collateral)    ~~privately~~ **AT PRIVATE SALE**  
33 **sometime after** ~~fday and (date)~~. **A SALE COULD INCLUDE**  
34 **A LEASE OR LICENSE.**

35           {4} You are entitled to an accounting of the unpaid  
36 indebtedness secured by the property that we intend to sell  
37 ~~for, AS APPLICABLE, lease or license, as applicable]~~ ~~[for a~~  
38 ~~charge of \$\_\_\_\_\_].~~

39           {5} **IF YOU REQUEST AN ACCOUNTING YOU MUST PAY A CHARGE OF**  
40 **\$(AMOUNT).**

41           {6} You may request an accounting by calling us  
42 at    f(telephone number)   .

1 B. THE FOLLOWING INSTRUCTIONS APPLY TO THE FORM OF NOTIFICATION IN  
2 SUBSECTION A, PARAGRAPH 5 OF THIS SECTION:

3 1. THE INSTRUCTIONS IN THIS SUBSECTION REFER TO THE NUMBERS IN  
4 BRACES BEFORE ITEMS IN THE FORM OF NOTIFICATION IN SUBSECTION A, PARAGRAPH  
5 5 OF THIS SECTION. DO NOT INCLUDE THE NUMBERS OR BRACES IN THE  
6 NOTIFICATION. THE NUMBERS AND BRACES ARE USED ONLY FOR THE PURPOSE OF  
7 THESE INSTRUCTIONS.

8 2. INCLUDE AND COMPLETE ITEM {1} ONLY IF THERE IS A DEBTOR THAT IS  
9 NOT AN ADDRESSEE OF THE NOTIFICATION AND LIST THE NAME OR NAMES.

10 3. INCLUDE AND COMPLETE EITHER ITEM {2} IF THE NOTIFICATION RELATES  
11 TO A PUBLIC DISPOSITION OF THE COLLATERAL OR ITEM {3} IF THE NOTIFICATION  
12 RELATES TO A PRIVATE DISPOSITION OF THE COLLATERAL. IF ITEM {2} IS  
13 INCLUDED, INCLUDE THE WORDS "TO THE HIGHEST QUALIFIED BIDDER" ONLY IF  
14 APPLICABLE.

15 4. INCLUDE AND COMPLETE ITEMS {4} AND {6}.

16 5. INCLUDE AND COMPLETE ITEM {5} ONLY IF THE SENDER WILL CHARGE THE  
17 RECIPIENT FOR AN ACCOUNTING.

18 Sec. 82. Section 47-9614, Arizona Revised Statutes, is amended to  
19 read:

20 47-9614. Contents and form of notification before disposition  
21 of collateral: consumer goods transaction

22 A. In a consumer goods transaction, the following rules apply:

23 1. A notification of disposition must provide the following  
24 information:

25 (a) The information specified in section 47-9613, SUBSECTION A,  
26 paragraph 1;

27 (b) A description of any liability for a deficiency of the person  
28 to which the notification is sent;

29 (c) A telephone number from which the amount that must be paid to  
30 the secured party to redeem the collateral under section 47-9623 is  
31 available; and

32 (d) A telephone number or mailing address from which additional  
33 information concerning the disposition and the obligation secured is  
34 available.

35 2. A particular phrasing of the notification is not required.

36 3. The following form of notification, when completed IN ACCORDANCE  
37 WITH THE INSTRUCTIONS IN SUBSECTION B OF THIS SECTION, provides sufficient  
38 information:

39 ~~f~~(Name and address of secured party~~)~~

40 ~~f~~(Date~~)~~

41 NOTICE OF OUR PLAN TO SELL PROPERTY

42 ~~f~~(Name and address of any obligor who is also a  
43 debtor~~)~~

44 Subject: ~~f~~Identification of (IDENTIFY transaction~~)~~

1 We have your f(describe collateral‡), because you  
2 broke promises in our agreement.  
3 ~~For a public disposition:‡~~  
4 {1} We will sell f(describe collateral‡) at public  
5 sale. A sale could include a lease or license. The sale will  
6 be held 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 {2} We will sell f(describe collateral‡) at  
13 private sale sometime after f(date‡). A sale could  
14 include a lease or license.  
15 {3} The money that we get from the sale, †after paying our  
16 costs‡, will reduce the amount you owe. If we get less money  
17 than you owe, you f(will or will not, as  
18 applicable‡) still owe us the difference. If we get  
19 more money than you owe, you will get the extra money, unless  
20 we must pay it to someone else.  
21 {4} You can get the property back at any time before we sell  
22 it by paying us the full amount you owe, †not just the past  
23 due payments‡, including our expenses. To learn the exact  
24 amount you must pay, call us at f(telephone  
25 number‡).  
26 {5} If you want us to explain to you in (writing) (WRITING OR  
27 IN (DESCRIPTION OF ELECTRONIC RECORD)) (DESCRIPTION OF  
28 ELECTRONIC RECORD) how we have figured the amount that you owe  
29 us, ~~you may~~ {6} call us at f(telephone number‡) †(or  
30 write us at f(secured party's address‡) ‡) (OR  
31 CONTACT US BY (DESCRIPTION OF ELECTRONIC COMMUNICATION  
32 METHOD)) {7} and request (a written explanation) (A WRITTEN  
33 EXPLANATION OR AN EXPLANATION IN (DESCRIPTION OF ELECTRONIC  
34 RECORD)) (AN EXPLANATION IN (DESCRIPTION OF ELECTRONIC  
35 RECORD)).  
36 {8} †We will charge you \$           \$(AMOUNT) for the  
37 explanation if we sent you another written explanation of the  
38 amount you owe us within the last six months.‡  
39 {9} If you need more information about the sale (call us  
40 at f(telephone number‡) †(or) (write us  
41 at f(secured party's address‡) ‡) (OR CONTACT US BY  
42 (DESCRIPTION OF ELECTRONIC COMMUNICATION METHOD)).

1           {10} We are sending this notice to the following other people  
2           who have an interest in \_\_\_\_\_f(describe collateral†)\_\_\_\_\_or  
3           who owe money under your agreement:

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

5           4. A notification in the form of paragraph 3 of this section is  
6           sufficient, even if additional information appears at the end of the form.

7           5. A notification in the form of paragraph 3 of this section is  
8           sufficient, even if it includes errors in information not required by  
9           paragraph 1 of this section, unless the error is misleading with respect  
10          to rights arising under this chapter.

11          6. If a notification under this section is not in the form of  
12          paragraph 3 of this section, law other than this chapter determines the  
13          effect of including information not required by paragraph 1 of this  
14          section.

15          B. THE FOLLOWING INSTRUCTIONS APPLY TO THE FORM OF NOTIFICATION IN  
16          SUBSECTION A, PARAGRAPH 3 OF THIS SECTION:

17          1. THE INSTRUCTIONS IN THIS SUBSECTION REFER TO THE NUMBERS IN  
18          BRACES BEFORE ITEMS IN THE FORM OF NOTIFICATION IN SUBSECTION A, PARAGRAPH  
19          3 OF THIS SECTION. DO NOT INCLUDE THE NUMBERS OR BRACES IN THE  
20          NOTIFICATION. THE NUMBERS AND BRACES ARE USED ONLY FOR THE PURPOSE OF  
21          THESE INSTRUCTIONS.

22          2. INCLUDE AND COMPLETE EITHER ITEM {1}, IF THE NOTIFICATION  
23          RELATES TO A PUBLIC DISPOSITION OF THE COLLATERAL, OR ITEM {2}, IF THE  
24          NOTIFICATION RELATES TO A PRIVATE DISPOSITION OF THE COLLATERAL.

25          3. INCLUDE AND COMPLETE ITEMS {3}, {4}, {5}, {6} AND {7}.

26          4. IN ITEM {5}, INCLUDE AND COMPLETE ANY ONE OF THE THREE  
27          ALTERNATIVE METHODS FOR THE EXPLANATION, WRITING, WRITING OR ELECTRONIC  
28          RECORD OR ELECTRONIC RECORD.

29          5. IN ITEM {6}, INCLUDE THE TELEPHONE NUMBER. IN ADDITION, THE  
30          SENDER MAY INCLUDE AND COMPLETE EITHER OR BOTH OF THE TWO ADDITIONAL  
31          ALTERNATIVE METHODS OF COMMUNICATION, WRITING OR ELECTRONIC COMMUNICATION,  
32          FOR THE RECIPIENT OF THE NOTIFICATION TO COMMUNICATE WITH THE SENDER.  
33          NEITHER OF THE TWO ADDITIONAL METHODS OF COMMUNICATION IS REQUIRED TO BE  
34          INCLUDED.

35          6. IN ITEM {7}, INCLUDE AND COMPLETE THE METHOD OR METHODS FOR THE  
36          EXPLANATION, WRITING, WRITING OR ELECTRONIC RECORD OR ELECTRONIC RECORD,  
37          INCLUDED IN ITEM {5}.

38          7. INCLUDE AND COMPLETE ITEM {8} ONLY IF A WRITTEN EXPLANATION IS  
39          INCLUDED IN ITEM {5} AS A METHOD FOR COMMUNICATING THE EXPLANATION AND THE  
40          SENDER WILL CHARGE THE RECIPIENT FOR ANOTHER WRITTEN EXPLANATION.

41          8. IN ITEM {9}, INCLUDE EITHER THE TELEPHONE NUMBER OR THE ADDRESS  
42          OR BOTH THE TELEPHONE NUMBER AND THE ADDRESS. IN ADDITION, THE SENDER MAY  
43          INCLUDE AND COMPLETE THE ADDITIONAL METHOD OF COMMUNICATION, ELECTRONIC  
44          COMMUNICATION, FOR THE RECIPIENT OF THE NOTIFICATION TO COMMUNICATE WITH



1 THE SENDER. THE ADDITIONAL METHOD OF ELECTRONIC COMMUNICATION IS NOT  
2 REQUIRED TO BE INCLUDED.

3 9. IF ITEM {10} DOES NOT APPLY, INSERT "NONE" AFTER "AGREEMENT:".

4 Sec. 83. Section 47-9615, Arizona Revised Statutes, is amended to  
5 read:

6 47-9615. Application of proceeds of disposition; liability  
7 for deficiency and right to surplus

8 A. A secured party shall apply or pay over for application the cash  
9 proceeds of disposition under section 47-9610 in the following order to:

10 1. The reasonable expenses of retaking, holding, preparing for  
11 disposition, processing and disposing, and, to the extent provided for by  
12 agreement and not prohibited by law, reasonable attorney fees and legal  
13 expenses incurred by the secured party;

14 2. The satisfaction of obligations secured by the security interest  
15 or agricultural lien under which the disposition is made;

16 3. The satisfaction of obligations secured by any subordinate  
17 security interest in or other subordinate lien on the collateral if:

18 (a) The secured party receives from the holder of the subordinate  
19 security interest or other lien ~~an authenticated~~ A SIGNED demand for  
20 proceeds before distribution of the proceeds is completed; and

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

24 4. A secured party that is a consignor of the collateral if the  
25 secured party receives from the consignor ~~an authenticated~~ A SIGNED demand  
26 for proceeds before distribution of the proceeds is completed.

27 B. If requested by a secured party, a holder of a subordinate  
28 security interest or other lien shall furnish reasonable proof of the  
29 interest or lien within a reasonable time. Unless the holder does so, the  
30 secured party need not comply with the holder's demand under subsection A,  
31 paragraph 3 of this section.

32 C. A secured party need not apply or pay over for application  
33 noncash proceeds of disposition under section 47-9610 unless the failure  
34 to do so would be commercially unreasonable. A secured party that applies  
35 or pays over for application noncash proceeds shall do so in a  
36 commercially reasonable manner.

37 D. If the security interest under which a disposition is made  
38 secures payment or performance of an obligation, after making the payments  
39 and applications required by subsection A of this section and permitted by  
40 subsection C of this section:

41 1. Unless subsection A, paragraph 4 of this section requires the  
42 secured party to apply or pay over cash proceeds to a consignor, the  
43 secured party shall account to and pay a debtor for any surplus; and

44 2. The obligor is liable for any deficiency.

1 E. If the underlying transaction is a sale of accounts, chattel  
2 paper, payment intangibles or promissory notes:

- 3 1. The debtor is not entitled to any surplus; and
- 4 2. The obligor is not liable for any deficiency.

5 F. The surplus or deficiency following a disposition is calculated  
6 based on the amount of proceeds that would have been realized in a  
7 disposition complying with this article to a transferee other than the  
8 secured party, a person related to the secured party or a secondary  
9 obligor if:

10 1. The transferee in the disposition is the secured party, a person  
11 related to the secured party or a secondary obligor; and

12 2. The amount of proceeds of the disposition is significantly below  
13 the range of proceeds that a complying disposition to a person other than  
14 the secured party, a person related to the secured party or a secondary  
15 obligor would have brought.

16 G. A secured party that receives cash proceeds of a disposition in  
17 good faith and without knowledge that the receipt violates the rights of  
18 the holder of a security interest or other lien that is not subordinate to  
19 the security interest or agricultural lien under which the disposition is  
20 made:

21 1. Takes the cash proceeds free of the security interest or other  
22 lien;

23 2. Is not obligated to apply the proceeds of the disposition to the  
24 satisfaction of obligations secured by the security interest or other  
25 lien; and

26 3. Is not obligated to account to or pay the holder of the security  
27 interest or other lien for any surplus.

28 Sec. 84. Section 47-9616, Arizona Revised Statutes, is amended to  
29 read:

30 47-9616. Explanation of calculation of surplus or deficiency;  
31 definitions

32 A. In this section:

33 1. "Explanation" means a ~~writing~~ RECORD that:

34 (a) States the amount of the surplus or deficiency;

35 (b) Provides an explanation in accordance with subsection C of this  
36 section of how the secured party calculated the surplus or deficiency;

37 (c) States, if applicable, that future debits, credits, charges,  
38 including additional credit service charges or interest, rebates and  
39 expenses may affect the amount of the surplus or deficiency; and

40 (d) Provides a telephone number or mailing address from which  
41 additional information concerning the transaction is available.

42 2. "Request" means a record:

43 (a) ~~Authenticated~~ SIGNED by a debtor or consumer obligor;

44 (b) Requesting that the recipient provide an explanation; and

45 (c) Sent after disposition of the collateral under section 47-9610.

1 B. In a consumer goods transaction in which the debtor is entitled  
2 to a surplus or a consumer obligor is liable for a deficiency under  
3 section 47-9615, the secured party shall:

4 1. Send an explanation to the debtor or consumer obligor, as  
5 applicable, after the disposition and:

6 (a) Before or when the secured party accounts to the debtor and  
7 pays any surplus or first makes ~~written~~ demand IN A RECORD on the consumer  
8 obligor after the disposition for payment of the deficiency; and

9 (b) Within fourteen days after receipt of a request; or

10 2. In the case of a consumer obligor who is liable for a  
11 deficiency, within fourteen days after receipt of a request, send to the  
12 consumer obligor a record waiving the secured party's right to a  
13 deficiency.

14 C. To comply with subsection A, paragraph 1, subdivision (b) of  
15 this section, ~~a writing~~ AN EXPLANATION must provide the following  
16 information in the following order:

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

21 (a) If the secured party takes or receives possession of the  
22 collateral after default, not more than thirty-five days before the  
23 secured party takes or receives possession; or

24 (b) If the secured party takes or receives possession of the  
25 collateral before default or does not take possession of the collateral,  
26 not more than thirty-five days before the disposition;

27 2. The amount of proceeds of the disposition;

28 3. The aggregate amount of the obligations after deducting the  
29 amount of proceeds;

30 4. The amount, in the aggregate or by type, and types of expenses,  
31 including expenses of retaking, holding, preparing for disposition,  
32 processing and disposing of the collateral, and attorney fees secured by  
33 the collateral that are known to the secured party and relate to the  
34 current disposition;

35 5. The amount, in the aggregate or by type, and types of credits,  
36 including rebates of interest or credit service charges, to which the  
37 obligor is known to be entitled and that are not reflected in the amount  
38 in paragraph 1 of this subsection; and

39 6. The amount of the surplus or deficiency.

40 D. A particular phrasing of the explanation is not required. An  
41 explanation complying substantially with the requirements of subsection A  
42 of this section is sufficient, even if it includes minor errors that are  
43 not seriously misleading.

44 E. A debtor or consumer obligor is entitled without charge to one  
45 response to a request under this section during any six month period in

1 which the secured party did not send to the debtor or consumer obligor an  
2 explanation pursuant to subsection B, paragraph 1 of this section. The  
3 secured party may require payment of a charge not exceeding twenty-five  
4 dollars for each additional response.

5 Sec. 85. Section 47-9619, Arizona Revised Statutes, is amended to  
6 read:

7 47-9619. Transfer of record or legal title; definition

8 A. In this section, "transfer statement" means a record  
9 ~~authenticated~~ SIGNED by a secured party and stating:

10 1. That the debtor has defaulted in connection with an obligation  
11 secured by specified collateral;

12 2. That the secured party has exercised its postdefault remedies  
13 with respect to the collateral;

14 3. That, by reason of the exercise, a transferee has acquired the  
15 rights of the debtor in the collateral; and

16 4. The name and mailing address of the secured party, debtor and  
17 transferee.

18 B. A transfer statement entitles the transferee to the transfer of  
19 record of all rights of the debtor in the collateral specified in the  
20 statement in any official filing, recording, registration or certificate  
21 of title system covering the collateral. If a transfer statement is  
22 presented with the applicable fee and request form to the official or  
23 office responsible for maintaining the system, the official or office  
24 shall:

25 1. Accept the transfer statement;

26 2. Promptly amend its records to reflect the transfer; and

27 3. If applicable, issue a new appropriate certificate of title in  
28 the name of the transferee.

29 C. A transfer of the record or legal title to collateral to a  
30 secured party under subsection B or otherwise is not of itself a  
31 disposition of collateral under this chapter and does not of itself  
32 relieve the secured party of its duties under this chapter.

33 Sec. 86. Section 47-9620, Arizona Revised Statutes, is amended to  
34 read:

35 47-9620. Acceptance of collateral in full or partial  
36 satisfaction of obligation; compulsory disposition  
37 of collateral

38 A. Except as otherwise provided in subsection G of this section, a  
39 secured party may accept collateral in full or partial satisfaction of the  
40 obligation it secures only if:

41 1. The debtor consents to the acceptance under subsection C of this  
42 section;

43 2. The secured party does not receive, within the time set forth in  
44 subsection D of this section, a notification of objection to the proposal  
45 ~~authenticated~~ SIGNED by:

1 (a) A person to which the secured party was required to send a  
2 proposal under section 47-9621; or  
3 (b) Any other person, other than the debtor, holding an interest in  
4 the collateral subordinate to the security interest that is the subject of  
5 the proposal;  
6 3. If the collateral is consumer goods, the collateral is not in  
7 the possession of the debtor when the debtor consents to the acceptance;  
8 and  
9 4. Subsection E of this section does not require the secured party  
10 to dispose of the collateral or the debtor waives the requirement pursuant  
11 to section 47-9624.  
12 B. A purported or apparent acceptance of collateral under this  
13 section is ineffective unless:  
14 1. The secured party consents to the acceptance in ~~an authenticated~~  
15 A SIGNED record or sends a proposal to the debtor; and  
16 2. The conditions of subsection A of this section are met.  
17 C. For purposes of this section:  
18 1. A debtor consents to an acceptance of collateral in partial  
19 satisfaction of the obligation it secures only if the debtor agrees to the  
20 terms of the acceptance in a record ~~authenticated~~ SIGNED after default;  
21 and  
22 2. A debtor consents to an acceptance of collateral in full  
23 satisfaction of the obligation it secures only if the debtor agrees to the  
24 terms of the acceptance in a record ~~authenticated~~ SIGNED after default or  
25 the secured party:  
26 (a) Sends to the debtor after default a proposal that is  
27 unconditional or subject only to a condition that collateral not in the  
28 possession of the secured party be preserved or maintained;  
29 (b) In the proposal, proposes to accept collateral in full  
30 satisfaction of the obligation it secures; and  
31 (c) Does not receive a notification of objection ~~authenticated~~  
32 SIGNED by the debtor within twenty days after the proposal is sent.  
33 D. To be effective under subsection A, paragraph 2 of this section,  
34 a notification of objection must be received by the secured party:  
35 1. In the case of a person to which the proposal was sent pursuant  
36 to section 47-9621, within twenty days after notification was sent to that  
37 person; and  
38 2. In other cases:  
39 (a) Within twenty days after the last notification was sent  
40 pursuant to section 47-9621; or  
41 (b) If a notification was not sent, before the debtor consents to  
42 the acceptance under subsection C of this section.  
43 E. A secured party that has taken possession of collateral shall  
44 dispose of the collateral pursuant to section 47-9610 within the time  
45 specified in subsection F of this section if:

1           1. Sixty ~~per cent~~ PERCENT of the cash price has been paid in the  
2 case of a purchase money security interest in consumer goods; or

3           2. Sixty ~~per cent~~ PERCENT of the principal amount of the obligation  
4 secured has been paid in the case of a nonpurchase money security interest  
5 in consumer goods.

6           F. To comply with subsection E of this section, the secured party  
7 shall dispose of the collateral:

8           1. Within ninety days after taking possession; or

9           2. Within any longer period to which the debtor and all secondary  
10 obligors have agreed in an agreement to that effect entered into and  
11 ~~authenticated~~ SIGNED after default.

12           G. In a consumer transaction, a secured party may not accept  
13 collateral in partial satisfaction of the obligation it secures.

14           Sec. 87. Section 47-9621, Arizona Revised Statutes, is amended to  
15 read:

16           47-9621. Notification of proposal to accept collateral

17           A. A secured party that desires to accept collateral in full or  
18 partial satisfaction of the obligation it secures shall send its proposal  
19 to:

20           1. Any person from which the secured party has received, before the  
21 debtor consented to the acceptance, ~~an authenticated~~ A SIGNED notification  
22 of a claim of an interest in the collateral;

23           2. Any other secured party or lienholder that, ten days before the  
24 debtor consented to the acceptance, held a security interest in or other  
25 lien on the collateral perfected by the filing of a financing statement  
26 that:

27           (a) Identified the collateral;

28           (b) Was indexed under the debtor's name as of that date; and

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

31           3. Any other secured party that, ten days before the debtor  
32 consented to the acceptance, held a security interest in the collateral  
33 perfected by compliance with a statute, regulation or treaty described in  
34 section 47-9311, subsection A.

35           B. A secured party that desires to accept collateral in partial  
36 satisfaction of the obligation it secures shall send its proposal to any  
37 secondary obligor in addition to the persons described in subsection A of  
38 this section.

39           Sec. 88. Section 47-9624, Arizona Revised Statutes, is amended to  
40 read:

41           47-9624. Waiver

42           A. A debtor or secondary obligor may waive the right to  
43 notification of disposition of collateral under section 47-9611 only by an  
44 agreement to that effect entered into and ~~authenticated~~ SIGNED after  
45 default.

1 B. A debtor may waive the right to require disposition of  
2 collateral under section 47-9620, subsection E only by an agreement to  
3 that effect entered into and ~~authenticated~~ SIGNED after default.

4 C. Except in a consumer goods transaction, a debtor or secondary  
5 obligor may waive the right to redeem collateral under section 47-9623  
6 only by an agreement to that effect entered into and ~~authenticated~~ SIGNED  
7 after default.

8 Sec. 89. Section 47-9628, Arizona Revised Statutes, is amended to  
9 read:

10 47-9628. Nonliability and limitation on liability of secured  
11 party; liability of secondary obligor

12 A. SUBJECT TO SUBSECTION F OF THIS SECTION, unless a secured party  
13 knows that a person is a debtor or obligor, knows the identity of the  
14 person and knows how to communicate with the person:

15 1. The secured party is not liable to the person, or to a secured  
16 party or lienholder that has filed a financing statement against the  
17 person, for failure to comply with this chapter; and

18 2. The secured party's failure to comply with this chapter does not  
19 affect the liability of the person for a deficiency.

20 B. SUBJECT TO SUBSECTION F OF THIS SECTION, a secured party is not  
21 liable because of its status as secured party:

22 1. To a person that is a debtor or obligor, unless the secured  
23 party knows:

24 (a) That the person is a debtor or obligor;

25 (b) The identity of the person; and

26 (c) How to communicate with the person; or

27 2. To a secured party or lienholder that has filed a financing  
28 statement against a person, unless the secured party knows:

29 (a) That the person is a debtor; and

30 (b) The identity of the person.

31 C. A secured party is not liable to any person, and a person's  
32 liability for a deficiency is not affected, because of any act or omission  
33 arising out of the secured party's reasonable belief that a transaction is  
34 not a consumer goods transaction or a consumer transaction or that goods  
35 are not consumer goods, if the secured party's belief is based on its  
36 reasonable reliance on:

37 1. A debtor's representation concerning the purpose for which  
38 collateral was to be used, acquired or held; or

39 2. An obligor's representation concerning the purpose for which a  
40 secured obligation was incurred.

41 D. A secured party is not liable to any person under section  
42 47-9625, subsection C, paragraph 2 for its failure to comply with section  
43 47-9616.

44 E. A secured party is not liable under section 47-9625, subsection  
45 C, paragraph 2 more than once with respect to any one secured obligation.

1 F. SUBSECTIONS A AND B OF THIS SECTION DO NOT APPLY TO LIMIT THE  
2 LIABILITY OF A SECURED PARTY TO A PERSON IF, AT THE TIME THE SECURED PARTY  
3 OBTAINS CONTROL OF COLLATERAL THAT IS A CONTROLLABLE ACCOUNT, CONTROLLABLE  
4 ELECTRONIC RECORD OR CONTROLLABLE PAYMENT INTANGIBLE OR AT THE TIME THE  
5 SECURITY INTEREST ATTACHES TO THE COLLATERAL, WHICHEVER IS LATER:

6 1. THE PERSON IS A DEBTOR OR OBLIGOR; AND

7 2. THE SECURED PARTY KNOWS THAT THE INFORMATION IN SUBSECTION B,  
8 PARAGRAPH 1, SUBDIVISION (a), (b) OR (c) RELATING TO THE PERSON IS NOT  
9 PROVIDED BY THE COLLATERAL, A RECORD ATTACHED TO OR LOGICALLY ASSOCIATED  
10 WITH THE COLLATERAL OR THE SYSTEM IN WHICH THE COLLATERAL IS RECORDED.

11 Sec. 90. Title 47, Arizona Revised Statutes, is amended by adding  
12 chapters 12 and 13, to read:

13 CHAPTER 12

14 CONTROLLABLE ELECTRONIC RECORDS

15 ARTICLE 1. GENERAL PROVISIONS

16 47-12101. TITLE

17 THIS CHAPTER MAY BE CITED AS UNIFORM COMMERCIAL CODE—CONTROLLABLE  
18 ELECTRONIC RECORDS.

19 47-12102. DEFINITIONS

20 A. IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

21 1. "CONTROLLABLE ELECTRONIC RECORD" MEANS A RECORD STORED IN AN  
22 ELECTRONIC MEDIUM THAT CAN BE SUBJECTED TO CONTROL UNDER SECTION 47-12105.  
23 CONTROLLABLE ELECTRONIC RECORD DOES NOT INCLUDE A CONTROLLABLE ACCOUNT, A  
24 CONTROLLABLE PAYMENT INTANGIBLE, A DEPOSIT ACCOUNT, AN ELECTRONIC COPY OF  
25 A RECORD EVIDENCING CHATTEL PAPER, AN ELECTRONIC DOCUMENT OF TITLE,  
26 ELECTRONIC MONEY, INVESTMENT PROPERTY OR A TRANSFERABLE RECORD.

27 2. "QUALIFYING PURCHASER" MEANS A PURCHASER OF A CONTROLLABLE  
28 ELECTRONIC RECORD OR AN INTEREST IN A CONTROLLABLE ELECTRONIC RECORD THAT  
29 OBTAINS CONTROL OF THE CONTROLLABLE ELECTRONIC RECORD FOR VALUE, IN GOOD  
30 FAITH AND WITHOUT NOTICE OF A CLAIM OF A PROPERTY RIGHT IN THE  
31 CONTROLLABLE ELECTRONIC RECORD.

32 3. "TRANSFERABLE RECORD" HAS THE MEANING PROVIDED FOR THAT TERM IN:

33 (a) SECTION 201(a)(1) OF THE ELECTRONIC SIGNATURES IN GLOBAL AND  
34 NATIONAL COMMERCE ACT, 15 UNITED STATES CODE SECTION 7021(a)(1); OR

35 (b) SECTION 44-7016.

36 4. "VALUE" HAS THE MEANING PROVIDED IN SECTION 47-3303, SUBSECTION  
37 A, AS IF REFERENCES IN THAT SUBSECTION TO AN "INSTRUMENT" WERE REFERENCES  
38 TO A CONTROLLABLE ACCOUNT, CONTROLLABLE ELECTRONIC RECORD OR CONTROLLABLE  
39 PAYMENT INTANGIBLE.

40 B. THE DEFINITIONS IN CHAPTER 9 OF THIS TITLE OF "ACCOUNT DEBTOR",  
41 "CONTROLLABLE ACCOUNT", "CONTROLLABLE PAYMENT INTANGIBLE", "CHATTEL  
42 PAPER", "DEPOSIT ACCOUNT", "ELECTRONIC MONEY" AND "INVESTMENT PROPERTY"  
43 APPLY TO THIS CHAPTER.



1 C. CHAPTER 1 OF THIS TITLE CONTAINS GENERAL DEFINITIONS AND  
2 PRINCIPLES OF CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGHOUT THIS  
3 CHAPTER.

4 47-12103. RELATION TO CHAPTER 9 AND CONSUMER LAWS

5 A. IF THERE IS CONFLICT BETWEEN THIS CHAPTER AND CHAPTER 9 OF THIS  
6 TITLE, CHAPTER 9 OF THIS TITLE GOVERNS.

7 B. A TRANSACTION SUBJECT TO THIS CHAPTER IS SUBJECT TO ANY  
8 APPLICABLE RULE OF LAW THAT ESTABLISHES A DIFFERENT RULE FOR CONSUMERS AND  
9 ANY OTHER STATUTE THAT REGULATES THE RATES, CHARGES, AGREEMENTS AND  
10 PRACTICES FOR LOANS, CREDIT SALES OR OTHER EXTENSIONS OF CREDIT AND ANY  
11 CONSUMER PROTECTION STATUTE OR REGULATION.

12 47-12104. RIGHTS IN CONTROLLABLE ACCOUNT, CONTROLLABLE  
13 ELECTRONIC RECORD AND CONTROLLABLE PAYMENT  
14 INTANGIBLE

15 A. THIS SECTION APPLIES TO THE ACQUISITION AND PURCHASE OF RIGHTS  
16 IN A CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE, INCLUDING  
17 THE RIGHTS AND BENEFITS UNDER SUBSECTIONS C, D, E, G AND H OF THIS SECTION  
18 OF A PURCHASER AND QUALIFYING PURCHASER, IN THE SAME MANNER THIS SECTION  
19 APPLIES TO A CONTROLLABLE ELECTRONIC RECORD.

20 B. TO DETERMINE WHETHER A PURCHASER OF A CONTROLLABLE ACCOUNT OR A  
21 CONTROLLABLE PAYMENT INTANGIBLE IS A QUALIFYING PURCHASER, THE PURCHASER  
22 OBTAINS CONTROL OF THE ACCOUNT OR PAYMENT INTANGIBLE IF IT OBTAINS CONTROL  
23 OF THE CONTROLLABLE ELECTRONIC RECORD THAT EVIDENCES THE ACCOUNT OR  
24 PAYMENT INTANGIBLE.

25 C. EXCEPT AS PROVIDED IN THIS SECTION, LAW OTHER THAN THIS CHAPTER  
26 DETERMINES WHETHER A PERSON ACQUIRES A RIGHT IN A CONTROLLABLE ELECTRONIC  
27 RECORD AND THE RIGHT THE PERSON ACQUIRES.

28 D. A PURCHASER OF A CONTROLLABLE ELECTRONIC RECORD ACQUIRES ALL  
29 RIGHTS IN THE CONTROLLABLE ELECTRONIC RECORD THAT THE TRANSFEROR HAD OR  
30 HAD POWER TO TRANSFER, EXCEPT THAT A PURCHASER OF A LIMITED INTEREST IN A  
31 CONTROLLABLE ELECTRONIC RECORD ACQUIRES RIGHTS ONLY TO THE EXTENT OF THE  
32 INTEREST PURCHASED.

33 E. A QUALIFYING PURCHASER ACQUIRES ITS RIGHTS IN THE CONTROLLABLE  
34 ELECTRONIC RECORD FREE OF A CLAIM OF A PROPERTY RIGHT IN THE CONTROLLABLE  
35 ELECTRONIC RECORD.

36 F. EXCEPT AS PROVIDED IN SUBSECTIONS A AND E OF THIS SECTION FOR A  
37 CONTROLLABLE ACCOUNT AND A CONTROLLABLE PAYMENT INTANGIBLE OR LAW OTHER  
38 THAN THIS CHAPTER, A QUALIFYING PURCHASER TAKES A RIGHT TO PAYMENT, RIGHT  
39 TO PERFORMANCE OR OTHER INTEREST IN PROPERTY EVIDENCED BY THE CONTROLLABLE  
40 ELECTRONIC RECORD SUBJECT TO A CLAIM OF A PROPERTY RIGHT IN THE RIGHT TO  
41 PAYMENT, RIGHT TO PERFORMANCE OR OTHER INTEREST IN PROPERTY.

42 G. AN ACTION MAY NOT BE ASSERTED AGAINST A QUALIFYING PURCHASER  
43 BASED ON BOTH A PURCHASE BY THE QUALIFYING PURCHASER OF A CONTROLLABLE  
44 ELECTRONIC RECORD AND A CLAIM OF A PROPERTY RIGHT IN ANOTHER CONTROLLABLE

1 ELECTRONIC RECORD, WHETHER THE ACTION IS FRAMED IN CONVERSION, REPLEVIN,  
2 CONSTRUCTIVE TRUST, EQUITABLE LIEN OR OTHER THEORY.

3 H. FILING OF A FINANCING STATEMENT UNDER CHAPTER 9 OF THIS TITLE IS  
4 NOT NOTICE OF A CLAIM OF A PROPERTY RIGHT IN A CONTROLLABLE ELECTRONIC  
5 RECORD.

6 47-12105. CONTROL OF CONTROLLABLE ELECTRONIC RECORD

7 A. A PERSON HAS CONTROL OF A CONTROLLABLE ELECTRONIC RECORD IF THE  
8 ELECTRONIC RECORD, A RECORD ATTACHED TO OR LOGICALLY ASSOCIATED WITH THE  
9 ELECTRONIC RECORD OR A SYSTEM IN WHICH THE ELECTRONIC RECORD IS RECORDED:

10 1. GIVES THE PERSON:

11 (a) POWER TO AVAIL ITSELF OF SUBSTANTIALLY ALL THE BENEFIT FROM THE  
12 ELECTRONIC RECORD; AND

13 (b) EXCLUSIVE POWER, SUBJECT TO SUBSECTION B OF THIS SECTION, TO:

14 (i) PREVENT OTHERS FROM AVAILING THEMSELVES OF SUBSTANTIALLY ALL  
15 THE BENEFIT FROM THE ELECTRONIC RECORD; AND

16 (ii) TRANSFER CONTROL OF THE ELECTRONIC RECORD TO ANOTHER PERSON OR  
17 CAUSE ANOTHER PERSON TO OBTAIN CONTROL OF ANOTHER CONTROLLABLE ELECTRONIC  
18 RECORD AS A RESULT OF THE TRANSFER OF THE ELECTRONIC RECORD; AND

19 2. ENABLES THE PERSON READILY TO IDENTIFY ITSELF IN ANY WAY,  
20 INCLUDING BY NAME, IDENTIFYING NUMBER, CRYPTOGRAPHIC KEY, OFFICE OR  
21 ACCOUNT NUMBER, AS HAVING THE POWERS SPECIFIED IN PARAGRAPH 1 OF THIS  
22 SUBSECTION.

23 B. SUBJECT TO SUBSECTION C OF THIS SECTION, A POWER IS EXCLUSIVE  
24 UNDER SUBSECTION A, PARAGRAPH 1, SUBDIVISION (b), ITEMS (i) AND (ii) EVEN  
25 IF:

26 1. THE CONTROLLABLE ELECTRONIC RECORD, A RECORD ATTACHED TO OR  
27 LOGICALLY ASSOCIATED WITH THE ELECTRONIC RECORD OR A SYSTEM IN WHICH THE  
28 ELECTRONIC RECORD IS RECORDED LIMITS THE USE OF THE ELECTRONIC RECORD OR  
29 HAS A PROTOCOL PROGRAMMED TO CAUSE A CHANGE, INCLUDING A TRANSFER OR LOSS  
30 OF CONTROL OR A MODIFICATION OF BENEFITS AFFORDED BY THE ELECTRONIC  
31 RECORD; OR

32 2. THE POWER IS SHARED WITH ANOTHER PERSON.

33 C. A POWER OF A PERSON IS NOT SHARED WITH ANOTHER PERSON UNDER  
34 SUBSECTION B, PARAGRAPH 2 OF THIS SECTION AND THE PERSON'S POWER IS NOT  
35 EXCLUSIVE IF:

36 1. THE PERSON CAN EXERCISE THE POWER ONLY IF THE POWER ALSO IS  
37 EXERCISED BY THE OTHER PERSON; AND

38 2. THE OTHER PERSON:

39 (a) CAN EXERCISE THE POWER WITHOUT EXERCISE OF THE POWER BY THE  
40 PERSON; OR

41 (b) IS THE TRANSFEROR TO THE PERSON OF AN INTEREST IN THE  
42 CONTROLLABLE ELECTRONIC RECORD OR A CONTROLLABLE ACCOUNT OR CONTROLLABLE  
43 PAYMENT INTANGIBLE EVIDENCED BY THE CONTROLLABLE ELECTRONIC RECORD.

1 D. IF A PERSON HAS THE POWERS SPECIFIED IN SUBSECTION A, PARAGRAPH  
2 1, SUBDIVISION (b), ITEMS (i) AND (ii) OF THIS SECTION, THE POWERS ARE  
3 PRESUMED TO BE EXCLUSIVE.

4 E. A PERSON HAS CONTROL OF A CONTROLLABLE ELECTRONIC RECORD IF  
5 ANOTHER PERSON, OTHER THAN THE TRANSFEROR TO THE PERSON OF AN INTEREST IN  
6 THE CONTROLLABLE ELECTRONIC RECORD OR A CONTROLLABLE ACCOUNT OR  
7 CONTROLLABLE PAYMENT INTANGIBLE EVIDENCED BY THE CONTROLLABLE ELECTRONIC  
8 RECORD:

9 1. HAS CONTROL OF THE ELECTRONIC RECORD AND ACKNOWLEDGES THAT IT  
10 HAS CONTROL ON BEHALF OF THE PERSON; OR

11 2. OBTAINS CONTROL OF THE ELECTRONIC RECORD AFTER HAVING  
12 ACKNOWLEDGED THAT IT WILL OBTAIN CONTROL OF THE ELECTRONIC RECORD ON  
13 BEHALF OF THE PERSON.

14 F. A PERSON THAT HAS CONTROL UNDER THIS SECTION IS NOT REQUIRED TO  
15 ACKNOWLEDGE THAT IT HAS CONTROL ON BEHALF OF ANOTHER PERSON.

16 G. IF A PERSON ACKNOWLEDGES THAT IT HAS OR WILL OBTAIN CONTROL ON  
17 BEHALF OF ANOTHER PERSON, UNLESS THE PERSON OTHERWISE AGREES OR LAW OTHER  
18 THAN THIS CHAPTER OR CHAPTER 9 OF THIS TITLE OTHERWISE PROVIDES, THE  
19 PERSON DOES NOT OWE ANY DUTY TO THE OTHER PERSON AND IS NOT REQUIRED TO  
20 CONFIRM THE ACKNOWLEDGMENT TO ANY OTHER PERSON.

21 47-12106. DISCHARGE OF ACCOUNT DEBTOR ON CONTROLLABLE ACCOUNT  
22 OR CONTROLLABLE PAYMENT INTANGIBLE

23 A. AN ACCOUNT DEBTOR ON A CONTROLLABLE ACCOUNT OR CONTROLLABLE  
24 PAYMENT INTANGIBLE MAY DISCHARGE ITS OBLIGATION BY PAYING:

25 1. THE PERSON HAVING CONTROL OF THE CONTROLLABLE ELECTRONIC RECORD  
26 THAT EVIDENCES THE CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT  
27 INTANGIBLE; OR

28 2. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, A PERSON  
29 THAT FORMERLY HAD CONTROL OF THE CONTROLLABLE ELECTRONIC RECORD.

30 B. SUBJECT TO SUBSECTION D OF THIS SECTION, THE ACCOUNT DEBTOR MAY  
31 NOT DISCHARGE ITS OBLIGATION BY PAYING A PERSON THAT FORMERLY HAD CONTROL  
32 OF THE CONTROLLABLE ELECTRONIC RECORD IF THE ACCOUNT DEBTOR RECEIVES A  
33 NOTIFICATION THAT:

34 1. IS SIGNED BY A PERSON THAT FORMERLY HAD CONTROL OR THE PERSON TO  
35 WHICH CONTROL WAS TRANSFERRED;

36 2. REASONABLY IDENTIFIES THE CONTROLLABLE ACCOUNT OR CONTROLLABLE  
37 PAYMENT INTANGIBLE;

38 3. NOTIFIES THE ACCOUNT DEBTOR THAT CONTROL OF THE CONTROLLABLE  
39 ELECTRONIC RECORD THAT EVIDENCES THE CONTROLLABLE ACCOUNT OR CONTROLLABLE  
40 PAYMENT INTANGIBLE WAS TRANSFERRED;

41 4. IDENTIFIES THE TRANSFEREE, IN ANY REASONABLE WAY, INCLUDING BY  
42 NAME, IDENTIFYING NUMBER, CRYPTOGRAPHIC KEY, OFFICE OR ACCOUNT NUMBER; AND

43 5. PROVIDES A COMMERCIALY REASONABLE METHOD BY WHICH THE ACCOUNT  
44 DEBTOR IS TO PAY THE TRANSFEREE.

1 C. AFTER RECEIPT OF A NOTIFICATION THAT COMPLIES WITH SUBSECTION B  
2 OF THIS SECTION, THE ACCOUNT DEBTOR MAY DISCHARGE ITS OBLIGATION BY PAYING  
3 IN ACCORDANCE WITH THE NOTIFICATION AND MAY NOT DISCHARGE THE OBLIGATION  
4 BY PAYING A PERSON THAT FORMERLY HAD CONTROL.

5 D. SUBJECT TO SUBSECTION H OF THIS SECTION, NOTIFICATION IS  
6 INEFFECTIVE UNDER SUBSECTION B OF THIS SECTION:

7 1. UNLESS, BEFORE THE NOTIFICATION IS SENT, THE ACCOUNT DEBTOR AND  
8 THE PERSON THAT, AT THAT TIME, HAD CONTROL OF THE CONTROLLABLE ELECTRONIC  
9 RECORD THAT EVIDENCES THE CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT  
10 INTANGIBLE AGREE IN A SIGNED RECORD TO A COMMERCIALY REASONABLE METHOD BY  
11 WHICH A PERSON MAY FURNISH REASONABLE PROOF THAT CONTROL HAS BEEN  
12 TRANSFERRED;

13 2. TO THE EXTENT AN AGREEMENT BETWEEN THE ACCOUNT DEBTOR AND SELLER  
14 OF A PAYMENT INTANGIBLE LIMITS THE ACCOUNT DEBTOR'S DUTY TO PAY A PERSON  
15 OTHER THAN THE SELLER AND THE LIMITATION IS EFFECTIVE UNDER LAW OTHER THAN  
16 THIS CHAPTER; OR

17 3. AT THE OPTION OF THE ACCOUNT DEBTOR, IF THE NOTIFICATION  
18 NOTIFIES THE ACCOUNT DEBTOR TO:

19 (a) DIVIDE A PAYMENT;

20 (b) MAKE LESS THAN THE FULL AMOUNT OF AN INSTALLMENT OR OTHER  
21 PERIODIC PAYMENT; OR

22 (c) PAY ANY PART OF A PAYMENT BY MORE THAN ONE METHOD OR TO MORE  
23 THAN ONE PERSON.

24 E. SUBJECT TO SUBSECTION H OF THIS SECTION, IF REQUESTED BY THE  
25 ACCOUNT DEBTOR, THE PERSON GIVING THE NOTIFICATION UNDER SUBSECTION B OF  
26 THIS SECTION SEASONABLY SHALL FURNISH REASONABLE PROOF, USING THE METHOD  
27 IN THE AGREEMENT REFERRED TO IN SUBSECTION D, PARAGRAPH 1 OF THIS SECTION,  
28 THAT CONTROL OF THE CONTROLLABLE ELECTRONIC RECORD HAS BEEN TRANSFERRED.  
29 UNLESS THE PERSON COMPLIES WITH THE REQUEST, THE ACCOUNT DEBTOR MAY  
30 DISCHARGE ITS OBLIGATION BY PAYING A PERSON THAT FORMERLY HAD CONTROL,  
31 EVEN IF THE ACCOUNT DEBTOR HAS RECEIVED A NOTIFICATION UNDER SUBSECTION B  
32 OF THIS SECTION.

33 F. A PERSON FURNISHES REASONABLE PROOF UNDER SUBSECTION E OF THIS  
34 SECTION THAT CONTROL HAS BEEN TRANSFERRED IF THE PERSON DEMONSTRATES,  
35 USING THE METHOD IN THE AGREEMENT REFERRED TO IN SUBSECTION D, PARAGRAPH 1  
36 OF THIS SECTION, THAT THE TRANSFEREE HAS THE POWER TO:

37 1. AVAIL ITSELF OF SUBSTANTIALLY ALL THE BENEFIT FROM THE  
38 CONTROLLABLE ELECTRONIC RECORD;

39 2. PREVENT OTHERS FROM AVAILING THEMSELVES OF SUBSTANTIALLY ALL THE  
40 BENEFIT FROM THE CONTROLLABLE ELECTRONIC RECORD; AND

41 3. TRANSFER THE POWERS SPECIFIED IN PARAGRAPHS 1 AND 2 OF THIS  
42 SUBSECTION TO ANOTHER PERSON.

43 G. SUBJECT TO SUBSECTION H OF THIS SECTION, AN ACCOUNT DEBTOR MAY  
44 NOT WAIVE OR VARY ITS RIGHTS UNDER SUBSECTION D, PARAGRAPH 1 OF THIS

1 SECTION AND SUBSECTION E OF THIS SECTION OR ITS OPTION UNDER SUBSECTION D,  
2 PARAGRAPH 3 OF THIS SECTION.

3 H. THIS SECTION IS SUBJECT TO LAW OTHER THAN THIS CHAPTER WHICH  
4 ESTABLISHES A DIFFERENT RULE FOR AN ACCOUNT DEBTOR WHO IS AN INDIVIDUAL  
5 AND WHO INCURRED THE OBLIGATION PRIMARILY FOR PERSONAL, FAMILY OR  
6 HOUSEHOLD PURPOSES.

7 47-12107. GOVERNING LAW

8 A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, THE LOCAL  
9 LAW OF A CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION GOVERNS A MATTER  
10 COVERED BY THIS CHAPTER.

11 B. FOR A CONTROLLABLE ELECTRONIC RECORD THAT EVIDENCES A  
12 CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE, THE LOCAL LAW OF  
13 THE CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION GOVERNS A MATTER COVERED  
14 BY SECTION 47-12106 UNLESS AN EFFECTIVE AGREEMENT DETERMINES THAT THE  
15 LOCAL LAW OF ANOTHER JURISDICTION GOVERNS.

16 C. THE FOLLOWING RULES DETERMINE A CONTROLLABLE ELECTRONIC RECORD'S  
17 JURISDICTION UNDER THIS SECTION:

18 1. IF THE CONTROLLABLE ELECTRONIC RECORD, OR A RECORD ATTACHED TO  
19 OR LOGICALLY ASSOCIATED WITH THE CONTROLLABLE ELECTRONIC RECORD AND  
20 READILY AVAILABLE FOR REVIEW, EXPRESSLY PROVIDES THAT A PARTICULAR  
21 JURISDICTION IS THE CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION FOR  
22 PURPOSES OF THIS CHAPTER OR THIS TITLE, THAT JURISDICTION IS THE  
23 CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION.

24 2. IF PARAGRAPH 1 OF THIS SUBSECTION DOES NOT APPLY AND THE RULES  
25 OF THE SYSTEM IN WHICH THE CONTROLLABLE ELECTRONIC RECORD IS RECORDED ARE  
26 READILY AVAILABLE FOR REVIEW AND EXPRESSLY PROVIDE THAT A PARTICULAR  
27 JURISDICTION IS THE CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION FOR  
28 PURPOSES OF THIS CHAPTER OR THIS TITLE, THAT JURISDICTION IS THE  
29 CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION.

30 3. IF PARAGRAPHS 1 AND 2 OF THIS SUBSECTION DO NOT APPLY AND THE  
31 CONTROLLABLE ELECTRONIC RECORD, OR A RECORD ATTACHED TO OR LOGICALLY  
32 ASSOCIATED WITH THE CONTROLLABLE ELECTRONIC RECORD AND READILY AVAILABLE  
33 FOR REVIEW, EXPRESSLY PROVIDES THAT THE CONTROLLABLE ELECTRONIC RECORD IS  
34 GOVERNED BY THE LAW OF A PARTICULAR JURISDICTION, THAT JURISDICTION IS THE  
35 CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION.

36 4. IF PARAGRAPHS 1, 2 AND 3 OF THIS SUBSECTION DO NOT APPLY AND THE  
37 RULES OF THE SYSTEM IN WHICH THE CONTROLLABLE ELECTRONIC RECORD IS  
38 RECORDED ARE READILY AVAILABLE FOR REVIEW AND EXPRESSLY PROVIDE THAT THE  
39 CONTROLLABLE ELECTRONIC RECORD OR THE SYSTEM IS GOVERNED BY THE LAW OF A  
40 PARTICULAR JURISDICTION, THAT JURISDICTION IS THE CONTROLLABLE ELECTRONIC  
41 RECORD'S JURISDICTION.

42 5. IF PARAGRAPHS 1, 2, 3 AND 4 OF THIS SUBSECTION DO NOT APPLY, THE  
43 CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION IS THE DISTRICT OF COLUMBIA.

1 D. IF SUBSECTION C, PARAGRAPH 5 OF THIS SECTION APPLIES AND ARTICLE  
2 12 IS NOT IN EFFECT IN THE DISTRICT OF COLUMBIA WITHOUT MATERIAL  
3 MODIFICATION, THE GOVERNING LAW FOR A MATTER COVERED BY THIS CHAPTER IS  
4 THE LAW OF THE DISTRICT OF COLUMBIA AS THOUGH ARTICLE 12 WERE IN EFFECT IN  
5 THE DISTRICT OF COLUMBIA WITHOUT MATERIAL MODIFICATION. IN THIS  
6 SUBSECTION, "ARTICLE 12" MEANS ARTICLE 12 OF UNIFORM COMMERCIAL CODE  
7 AMENDMENTS (2022).

8 E. TO THE EXTENT SUBSECTIONS A AND B OF THIS SECTION PROVIDE THAT  
9 THE LOCAL LAW OF THE CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION GOVERNS  
10 A MATTER COVERED BY THIS CHAPTER, THAT LAW GOVERNS EVEN IF THE MATTER OR A  
11 TRANSACTION TO WHICH THE MATTER RELATES DOES NOT BEAR ANY RELATION TO THE  
12 CONTROLLABLE ELECTRONIC RECORD'S JURISDICTION.

13 F. THE RIGHTS ACQUIRED UNDER SECTION 47-12104 BY A PURCHASER OR  
14 QUALIFYING PURCHASER ARE GOVERNED BY THE LAW APPLICABLE UNDER THIS SECTION  
15 AT THE TIME OF PURCHASE.

16 CHAPTER 13  
17 TRANSITIONAL PROVISIONS FOR UNIFORM  
18 COMMERCIAL CODE AMENDMENTS (2022)  
19 ARTICLE 1. GENERAL PROVISIONS

20 47-13101. TITLE

21 THIS CHAPTER MAY BE CITED AS TRANSITIONAL PROVISIONS FOR UNIFORM  
22 COMMERCIAL CODE AMENDMENTS (2022).

23 47-13102. DEFINITIONS

24 A. UNLESS THE CONTEXT OTHERWISE REQUIRES, IN THIS CHAPTER:

25 1. "ADJUSTMENT DATE" MEANS JULY 1, 2025, OR THE DATE THAT IS ONE  
26 YEAR AFTER THE EFFECTIVE DATE OF THIS SECTION, WHICHEVER IS LATER.

27 2. "CHAPTER 12 PROPERTY" MEANS A CONTROLLABLE ACCOUNT, CONTROLLABLE  
28 ELECTRONIC RECORD OR CONTROLLABLE PAYMENT INTANGIBLE.

29 B. THE FOLLOWING DEFINITIONS IN OTHER CHAPTERS OF THIS TITLE APPLY  
30 TO THIS CHAPTER.

31 1. "CONTROLLABLE ACCOUNT". SECTION 47-9102.

32 2. "CONTROLLABLE ELECTRONIC RECORD". SECTION 47-12102.

33 3. "CONTROLLABLE PAYMENT INTANGIBLE". SECTION 47-9102.

34 4. "ELECTRONIC MONEY". SECTION 47-9102.

35 5. "FINANCING STATEMENT". SECTION 47-9102.

36 C. CHAPTER 1 OF THIS TITLE CONTAINS GENERAL DEFINITIONS AND  
37 PRINCIPLES OF CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGHOUT THIS  
38 CHAPTER.

39 ARTICLE 2. GENERAL TRANSITIONAL PROVISION

40 47-13201. SAVING CLAUSE

41 EXCEPT AS PROVIDED IN ARTICLE 3 OF THIS CHAPTER, A TRANSACTION  
42 VALIDLY ENTERED INTO BEFORE THE EFFECTIVE DATE OF THIS SECTION AND THE  
43 RIGHTS, DUTIES AND INTERESTS FLOWING FROM THE TRANSACTION REMAIN VALID  
44 THEREAFTER AND MAY BE TERMINATED, COMPLETED, CONSUMMATED OR ENFORCED AS

1 REQUIRED OR PERMITTED BY LAW OTHER THAN THIS TITLE OR, IF APPLICABLE, THIS  
2 TITLE AS IT EXISTED BEFORE THE EFFECTIVE DATE OF THIS SECTION.

3 ARTICLE 3. TRANSITIONAL PROVISIONS  
4 FOR CHAPTERS 9 AND 12

5 47-13301. SAVING CLAUSE

6 A. EXCEPT AS PROVIDED IN THIS ARTICLE, CHAPTER 9 OF THIS TITLE AS  
7 AMENDED IN 2023 AND CHAPTER 12 OF THIS TITLE APPLY TO A TRANSACTION, LIEN  
8 OR OTHER INTEREST IN PROPERTY, EVEN IF THE TRANSACTION, LIEN OR INTEREST  
9 WAS ENTERED INTO, CREATED OR ACQUIRED BEFORE THE EFFECTIVE DATE OF THIS  
10 SECTION.

11 B. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION AND SECTIONS  
12 47-13302 THROUGH 47-13306:

13 1. A TRANSACTION, LIEN OR INTEREST IN PROPERTY THAT WAS VALIDLY  
14 ENTERED INTO, CREATED OR TRANSFERRED BEFORE THE EFFECTIVE DATE OF THIS  
15 SECTION AND WAS NOT GOVERNED BY THIS TITLE, BUT WOULD BE SUBJECT TO  
16 CHAPTER 9 OF THIS TITLE AS AMENDED IN 2023 OR CHAPTER 12 OF THIS TITLE IF  
17 IT HAD BEEN ENTERED INTO, CREATED OR TRANSFERRED ON OR AFTER THE EFFECTIVE  
18 DATE OF THIS SECTION, INCLUDING THE RIGHTS, DUTIES AND INTERESTS FLOWING  
19 FROM THE TRANSACTION, LIEN OR INTEREST, REMAINS VALID ON AND AFTER THE  
20 EFFECTIVE DATE OF THIS SECTION; AND

21 2. THE TRANSACTION, LIEN OR INTEREST MAY BE TERMINATED, COMPLETED,  
22 CONSUMMATED AND ENFORCED AS REQUIRED OR PERMITTED BY THIS TITLE AS AMENDED  
23 IN 2023 OR BY THE LAW THAT APPLIED BEFORE THE EFFECTIVE DATE OF THIS  
24 SECTION.

25 C. THIS TITLE AS AMENDED IN 2023 DOES NOT AFFECT AN ACTION, CASE OR  
26 PROCEEDING COMMENCED BEFORE THE EFFECTIVE DATE OF THIS SECTION.

27 47-13302. SECURITY INTEREST PERFECTED BEFORE EFFECTIVE DATE

28 A. A SECURITY INTEREST THAT IS ENFORCEABLE AND PERFECTED  
29 IMMEDIATELY BEFORE THE EFFECTIVE DATE OF THIS SECTION IS A PERFECTED  
30 SECURITY INTEREST UNDER THIS TITLE AS AMENDED IN 2023, IF, ON THE  
31 EFFECTIVE DATE OF THIS SECTION, THE REQUIREMENTS FOR ENFORCEABILITY AND  
32 PERFECTION UNDER THIS TITLE AS AMENDED IN 2023 ARE SATISFIED WITHOUT  
33 FURTHER ACTION.

34 B. IF A SECURITY INTEREST IS ENFORCEABLE AND PERFECTED IMMEDIATELY  
35 BEFORE THE EFFECTIVE DATE OF THIS SECTION, BUT THE REQUIREMENTS FOR  
36 ENFORCEABILITY OR PERFECTION UNDER THIS TITLE AS AMENDED IN 2023 ARE NOT  
37 SATISFIED ON THE EFFECTIVE DATE OF THIS SECTION, THE SECURITY INTEREST:

38 1. IS A PERFECTED SECURITY INTEREST UNTIL THE EARLIER OF THE TIME  
39 PERFECTION WOULD HAVE CEASED UNDER THE LAW IN EFFECT IMMEDIATELY BEFORE  
40 THE EFFECTIVE DATE OF THIS SECTION OR THE ADJUSTMENT DATE;

41 2. REMAINS ENFORCEABLE THEREAFTER ONLY IF THE SECURITY INTEREST  
42 SATISFIES THE REQUIREMENTS FOR ENFORCEABILITY UNDER SECTION 47-9203 AS  
43 AMENDED IN 2023 BEFORE THE ADJUSTMENT DATE; AND

1           3. REMAINS PERFECTED THEREAFTER ONLY IF THE REQUIREMENTS FOR  
2 PERFECTION UNDER THIS TITLE AS AMENDED IN 2023 ARE SATISFIED BEFORE THE  
3 TIME SPECIFIED IN PARAGRAPH 1 OF THIS SUBSECTION.

4           47-13303. SECURITY INTEREST UNPERFECTED BEFORE EFFECTIVE DATE

5           A SECURITY INTEREST THAT IS ENFORCEABLE IMMEDIATELY BEFORE THE  
6 EFFECTIVE DATE OF THIS SECTION BUT IS UNPERFECTED AT THAT TIME:

7           1. REMAINS AN ENFORCEABLE SECURITY INTEREST UNTIL THE ADJUSTMENT  
8 DATE;

9           2. REMAINS ENFORCEABLE THEREAFTER IF THE SECURITY INTEREST BECOMES  
10 ENFORCEABLE UNDER SECTION 47-9203 AS AMENDED IN 2023 ON THE EFFECTIVE DATE  
11 OF THIS SECTION OR BEFORE THE ADJUSTMENT DATE; AND

12           3. BECOMES PERFECTED:

13           (a) WITHOUT FURTHER ACTION, ON THE EFFECTIVE DATE OF THIS SECTION  
14 IF THE REQUIREMENTS FOR PERFECTION UNDER THIS TITLE AS AMENDED IN 2023 ARE  
15 SATISFIED BEFORE OR AT THAT TIME; OR

16           (b) WHEN THE REQUIREMENTS FOR PERFECTION ARE SATISFIED IF THE  
17 REQUIREMENTS ARE SATISFIED AFTER THAT TIME.

18           47-13304. EFFECTIVENESS OF ACTIONS TAKEN BEFORE EFFECTIVE  
19 DATE

20           A. IF ACTION, OTHER THAN THE FILING OF A FINANCING STATEMENT, IS  
21 TAKEN BEFORE THE EFFECTIVE DATE OF THIS SECTION AND THE ACTION WOULD HAVE  
22 RESULTED IN PERFECTION OF THE SECURITY INTEREST HAD THE SECURITY INTEREST  
23 BECOME ENFORCEABLE BEFORE THE EFFECTIVE DATE OF THIS SECTION, THE ACTION  
24 IS EFFECTIVE TO PERFECT A SECURITY INTEREST THAT ATTACHES UNDER THIS TITLE  
25 BEFORE THE ADJUSTMENT DATE. AN ATTACHED SECURITY INTEREST BECOMES  
26 UNPERFECTED ON THE ADJUSTMENT DATE UNLESS THE SECURITY INTEREST BECOMES A  
27 PERFECTED SECURITY INTEREST UNDER THIS TITLE AS AMENDED IN 2023 BEFORE THE  
28 ADJUSTMENT DATE.

29           B. THE FILING OF A FINANCING STATEMENT BEFORE THE EFFECTIVE DATE OF  
30 THIS SECTION IS EFFECTIVE TO PERFECT A SECURITY INTEREST ON THE EFFECTIVE  
31 DATE OF THIS SECTION TO THE EXTENT THE FILING WOULD SATISFY THE  
32 REQUIREMENTS FOR PERFECTION UNDER THIS TITLE AS AMENDED IN 2023.

33           C. THE TAKING OF AN ACTION BEFORE THE EFFECTIVE DATE OF THIS  
34 SECTION IS SUFFICIENT FOR THE ENFORCEABILITY OF A SECURITY INTEREST ON THE  
35 EFFECTIVE DATE OF THIS SECTION IF THE ACTION WOULD SATISFY THE  
36 REQUIREMENTS FOR ENFORCEABILITY UNDER THIS TITLE AS AMENDED IN 2023.

37           47-13305. PRIORITY

38           A. SUBJECT TO SUBSECTIONS B AND C OF THIS SECTION, THIS TITLE  
39 DETERMINES THE PRIORITY OF CONFLICTING CLAIMS TO COLLATERAL.

40           B. SUBJECT TO SUBSECTION C OF THIS SECTION, IF THE PRIORITIES OF  
41 CLAIMS TO COLLATERAL WERE ESTABLISHED BEFORE THE EFFECTIVE DATE OF THIS  
42 SECTION, CHAPTER 9 OF THIS TITLE AS IN EFFECT BEFORE THE EFFECTIVE DATE OF  
43 THIS SECTION DETERMINES PRIORITY.

44           C. ON THE ADJUSTMENT DATE, TO THE EXTENT THE PRIORITIES DETERMINED  
45 BY CHAPTER 9 OF THIS TITLE AS AMENDED IN 2023 MODIFY THE PRIORITIES



1 ESTABLISHED BEFORE THE EFFECTIVE DATE OF THIS SECTION, THE PRIORITIES OF  
2 CLAIMS TO CHAPTER 12 PROPERTY AND ELECTRONIC MONEY ESTABLISHED BEFORE THE  
3 EFFECTIVE DATE OF THIS SECTION CEASE TO APPLY.

4 47-13306. PRIORITY OF CLAIMS WHEN PRIORITY RULES OF CHAPTER 9  
5 DO NOT APPLY

6 A. SUBJECT TO SUBSECTIONS B AND C OF THIS SECTION, CHAPTER 12 OF  
7 THIS TITLE DETERMINES THE PRIORITY OF CONFLICTING CLAIMS TO CHAPTER 12  
8 PROPERTY WHEN THE PRIORITY RULES OF CHAPTER 9 OF THIS TITLE AS AMENDED IN  
9 2023 DO NOT APPLY.

10 B. SUBJECT TO SUBSECTION C OF THIS SECTION, WHEN THE PRIORITY RULES  
11 OF CHAPTER 9 OF THIS TITLE AS AMENDED IN 2023 DO NOT APPLY AND THE  
12 PRIORITIES OF CLAIMS TO CHAPTER 12 PROPERTY WERE ESTABLISHED BEFORE THE  
13 EFFECTIVE DATE OF THIS SECTION, LAW OTHER THAN CHAPTER 12 OF THIS TITLE  
14 DETERMINES PRIORITY.

15 C. WHEN THE PRIORITY RULES OF CHAPTER 9 OF THIS TITLE AS AMENDED IN  
16 2023 DO NOT APPLY, TO THE EXTENT THE PRIORITIES DETERMINED BY THIS TITLE  
17 AS AMENDED IN 2023 MODIFY THE PRIORITIES ESTABLISHED BEFORE THE EFFECTIVE  
18 DATE OF THIS SECTION, THE PRIORITIES OF CLAIMS TO CHAPTER 12 PROPERTY  
19 ESTABLISHED BEFORE THE EFFECTIVE DATE OF THIS SECTION CEASE TO APPLY ON  
20 THE ADJUSTMENT DATE.