

## CHAPTER 117

AN ACT concerning secured transactions, replacing chapter 9 of Title 12A of the New Jersey Statutes and revising various parts of the statutory law.

**BE IT ENACTED** by the Senate and General Assembly of the State of New Jersey:

1. Chapter 9 of Title 12A of the New Jersey Statutes (N.J.S.12A:9-101 through 12A:9-507, including any amendments or supplements thereto) is repealed and replaced as follows:

### CHAPTER 9- SECURED TRANSACTIONS

#### PART 1 GENERAL PROVISIONS

##### SUBPART 1. SHORT TITLE, DEFINITIONS AND GENERAL CONCEPTS

Short title.

12A:9-101. Short Title.

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

Definitions and index of definitions.

12A:9-102. Definitions and Index of Definitions.

a. Chapter 9 definitions. In this chapter:

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

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

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

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

(a) authenticated by a secured party;

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

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

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

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

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

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

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

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

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

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

(6) "As-extracted collateral" means:

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

(i) is created by a debtor having an interest in the minerals before extraction; and  
(ii) attaches to the minerals as extracted; or  
(b) accounts arising out of the sale at the wellhead or minehead of oil, gas, or other minerals in which the debtor had an interest before extraction.

(7) "Authenticate" means:

(a) to sign; or  
(b) to execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole or in part, with the present intent of the authenticating person to identify the person and adopt or accept a record.

(8) "Bank" means an organization that is engaged in the business of banking. The term includes savings banks, savings and loan associations, credit unions, and trust companies.

(9) "Bondable transition property" shall have the meaning set forth in section 3 of P.L.1999, c.23 (C.48:3-51).

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

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

(12) "Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. In this paragraph, "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods. The term does not include charters or other contracts involving the use or hire of a vessel. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

(13) "Collateral" means the property subject to a security interest or agricultural lien. The term includes:

(a) proceeds to which a security interest attaches;  
(b) accounts, chattel paper, payment intangibles, and promissory notes that have been sold;  
and

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

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

(a) the claimant is an organization; or  
(b) the claimant is an individual and the claim:  
(i) arose in the course of the claimant's business or profession; and  
(ii) does not include damages arising out of personal injury to or the death of an individual.

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

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

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

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

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

(18) "Commodity intermediary" means a person who:

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

(19) "Communicate" means:

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

record; or

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

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

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

(a) the merchant:

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

(ii) is not an auctioneer; and

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

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

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

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

(22) "Consignor" means a person who delivers goods to a consignee in a consignment.

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

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

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

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

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

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

(27) "Consumer transaction" means a transaction in which (a) an individual incurs an obligation primarily for personal, family, or household purposes, (b) a security interest secures the obligation, and (c) the collateral is held or acquired primarily for personal, family, or household purposes. The term includes consumer-goods transactions.

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

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

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

(29) "Debtor" means:

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

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

(c) a consignee.

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

(31) "Document" means a document of title or a receipt of the type described in 12A:7-201(2).

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

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

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

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

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

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

(ii) aquatic goods produced in aquacultural operations;

- (b) livestock, born or unborn, including aquatic goods produced in aquacultural operations;
- (c) supplies used or produced in a farming operation; or
- (d) products of crops or livestock in their unmanufactured states.

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

(37) "File number" means the number assigned to an initial financing statement pursuant to 12A:9-519a.

(38) "Filing office" means an office designated in 12A:9-501 as the place to file a financing statement.

(39) "Filing-office rule" means a rule adopted pursuant to 12A:9-526.

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

(40.1) "Fixture filing" means the filing of a financing statement covering goods that are or are to become fixtures and satisfying 12A:9-502 a. and b. The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

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

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

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

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

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

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

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

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

- (a) are leased by a person as lessor;
- (b) are held by a person for sale or lease or to be furnished under a contract of service;
- (c) are furnished by a person under a contract of service; or
- (d) consist of raw materials, work in process, or materials used or consumed in a business.

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

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

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

(52) "Lien creditor" means:

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

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

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

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

(53) "Manufactured home" means a structure, transportable in one or more sections, which, in the traveling mode, is eight body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. The term includes any structure that meets all of the requirements of this paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the United States Secretary of Housing and Urban Development and complies with the standards established under Title 42 of the United States Code.

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

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

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

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

(56) "New debtor" means a person who becomes bound as debtor under 12A:9-203 d. by a security agreement previously entered into by another person.

(57) "New value" means (a) money, (b) money's worth in property, services, or new credit, or (c) release by a transferee of an interest in property previously transferred to the transferee. The term does not include an obligation substituted for another obligation.

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

(59) "Obligor" means a person who, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral, (a) owes payment or other performance of the obligation, (b) has provided property other than the collateral to secure payment or other performance of the obligation, or (c) is otherwise accountable in whole or in part for payment or other performance of the obligation. The term does not include issuers or nominated persons under a letter of credit.

(60) "Original debtor" means a person who, as debtor, entered into a security agreement to which a new debtor has become bound under 12A:9-203 d.

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

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

(a) the spouse of the individual;

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

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

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

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

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

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

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

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

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

(64) "Proceeds" means the following property:

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

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

(c) rights arising out of collateral;

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

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

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

(66) "Proposal" means a record authenticated by a secured party which includes the terms on which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures pursuant to 12A:9-620, 12A:9-621, and 12A:9-622.

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

(a) debt securities are issued;

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

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

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

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

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

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

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

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

(72) "Secured party" means:

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

(b) a person who holds an agricultural lien;

(c) a consignor;

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

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

(f) a person who holds a security interest arising under 12A:2-401, 12A:2-505, 12A:2-711(3), 12A:2A-508(5), or 12A:4-210.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) transmitting goods by pipeline or sewer; or

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

b. Definitions in other chapters. The following definitions in other chapters apply to this chapter:

"Applicant"	12A:5-102.
"Beneficiary"	12A:5-102.
"Broker"	12A:8-102.
"Certificated security"	12A:8-102.
"Check"	12A:3-104.
"Clearing corporation"	12A:8-102.
"Contract for sale"	12A:2-106.
"Customer"	12A:4-104.
"Entitlement holder"	12A:8-102.
"Financial asset"	12A:8-102.
"Holder in due course"	12A:3-302.
"Issuer" (with respect to a letter of credit or letter of credit right)	12A:5-102.
"Issuer" (with respect to a security)	12A:8-201.
"Lease"	12A:2A-103.
"Lease agreement"	12A:2A-103.
"Lease contract"	12A:2A-103.
"Leasehold interest"	12A:2A-103.
"Lessee"	12A:2A-103.
"Lessee in ordinary course of business"	12A:2A-103.
"Lessor"	12A:2A-103.
"Lessor's residual interest"	12A:2A-103.
"Letter of credit"	12A:5-102.
"Merchant"	12A:2-104.
"Negotiable instrument"	12A:3-104.
"Nominated person"	12A:5-102.

"Note"	12A:3-104.
"Proceeds of a letter of credit"	12A:5-114.
"Prove"	12A:3-103.
"Sale"	12A:2-106.
"Securities account"	12A:8-501.
"Securities intermediary"	12A:8-102.
"Security"	12A:8-102.
"Security certificate"	12A:8-102.
"Security entitlement"	12A:8-102.
"Uncertificated security"	12A:8-102.

c. Chapter 1 definitions and principles. Chapter 1 contains general definitions and principles of construction and interpretation applicable throughout this chapter.

Purchase-money security interest; application of payments; burden of establishing.

12A:9-103. Purchase-Money Security Interest; Application of Payments; Burden of Establishing.

a. Definitions. In this section:

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

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

b. Purchase-money security interest in goods. A security interest in goods is a purchase-money security interest:

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

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

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

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

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

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

d. Consignor's inventory purchase-money security interest. The security interest of a consignor in goods that are the subject of a consignment is a purchase-money security interest in inventory.

e. Application of payment in non-consumer-goods transaction. In a transaction other than a consumer-goods transaction, if the extent to which a security interest is a purchase-money security interest depends on the application of a payment to a particular obligation, the payment shall be applied:

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

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

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

(a) to obligations that are not secured; and

(b) if more than one obligation is secured, to obligations secured by purchase-money security interests in the order in which those obligations were incurred.



f. No loss of status of purchase-money security interest in non-consumer-goods transaction. In a transaction other than a consumer-goods transaction, a purchase-money security interest does not lose its status as such, even if:

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

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

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

g. Burden of proof in non-consumer-goods transaction. In a transaction other than a consumer-goods transaction, a secured party claiming a purchase-money security interest has the burden of establishing the extent to which the security interest is a purchase-money security interest.

h. Non-consumer-goods transactions; no inference. The limitation of the rules in subsections e., f. and g. of this section to transactions other than consumer-goods transactions is intended to leave to the court the determination of the proper rules in consumer-goods transactions. The court may not infer from that limitation the nature of the proper rule in consumer-goods transactions and may continue to apply established approaches.

#### Control of deposit account.

##### 12A:9-104. Control of Deposit Account.

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

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

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

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

b. Debtor's right to direct disposition. A secured party that has satisfied subsection a. has control, even if the debtor retains the right to direct the disposition of funds from the deposit account.

#### Control of electronic chattel paper.

##### 12A:9-105. Control of Electronic Chattel Paper.

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

a. A single authoritative copy of the record or records exists which is unique, identifiable and, except as otherwise provided in paragraphs d., e. and f., unalterable;

b. The authoritative copy identifies the secured party as the assignee of the record or records;

c. The authoritative copy is communicated to and maintained by the secured party or its designated custodian;

d. Copies or revisions that add or change an identified assignee of the authoritative copy can be made only with the participation of the secured party;

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

f. any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

#### Control of investment property.

##### 12A:9-106. Control of Investment Property.

a. Control under 12A:8-106. A person has control of a certificated security, uncertificated security, or security entitlement as provided in 12A:8-106.

b. Control of commodity contract. A secured party has control of a commodity contract if:

(1) the secured party is the commodity intermediary with which the commodity contract is

carried; or

(2) the commodity customer, secured party, and commodity intermediary have agreed that the commodity intermediary will apply any value distributed on account of the commodity contract as directed by the secured party without further consent by the commodity customer.

c. Effect of control of securities account or commodity account. A secured party having control of all security entitlements or commodity contracts carried in a securities account or commodity account has control over the securities account or commodity account.

Control of letter-of-credit right.

12A:9-107. Control of Letter-of-Credit Right.

A secured party has control of a letter-of-credit right to the extent of any right to payment or performance by the issuer or any nominated person if the issuer or nominated person has consented to an assignment of proceeds of the letter of credit under 12A:5-114 c. or otherwise applicable law or practice.

Sufficiency of description.

12A:9-108. Sufficiency of Description.

a. Sufficiency of description. Except as otherwise provided in subsections c., d., e. and f. of this section, a description of personal or real property is sufficient, whether or not it is specific, if it reasonably identifies what is described.

b. Examples of reasonable identification. Except as otherwise provided in subsection d. of this section, a description of collateral reasonably identifies the collateral if it identifies the collateral by:

- (1) specific listing;
- (2) category;
- (3) except as otherwise provided in subsection e. of this section, a type of collateral defined in the Uniform Commercial Code;
- (4) quantity;
- (5) computational or allocational formula or procedure; or
- (6) except as otherwise provided in subsection c. of this section, any other method, if the identity of the collateral is objectively determinable.

c. Supergeneric description not sufficient. A description of collateral as "all the debtor's assets" or "all the debtor's personal property" or using words of similar import does not reasonably identify the collateral.

d. Investment property. Except as otherwise provided in subsection e. of this section, a description of a security entitlement, securities account, or commodity account is sufficient if it describes:

- (1) the collateral by those terms or as investment property; or
- (2) the underlying financial asset or commodity contract.

e. When description by type insufficient. A description only by type of collateral defined in the Uniform Commercial Code is an insufficient description of:

- (1) a commercial tort claim; or
- (2) in a consumer transaction, consumer goods, a security entitlement, a securities account, or a commodity account.

f. Bondable transition property. A description of bondable transition property is sufficient if it refers to the bondable stranded costs rate order, as defined in section 3 of P.L.1999, c.23 (C.48:3-51), establishing the bondable transition property.

## SUBPART 2. APPLICABILITY OF CHAPTER

Scope.

12A:9-109. Scope.

a. General scope of chapter. Except as otherwise provided in subsections c. and d. of this section, this chapter applies to:

- (1) a transaction, regardless of its form, that creates a security interest in personal property

or fixtures by contract;

- (2) an agricultural lien;
- (3) a sale of accounts, chattel paper, payment intangibles, or promissory notes;
- (4) a consignment;
- (5) a security interest arising under 12A:2-401, 12A:2-505, 12A:2-711(3), or 12A:2A-508(5), as provided in 12A:9-110; and
- (6) a security interest arising under 12A:4-210.

b. Security interest in secured obligation. The application of this chapter to a security interest in a secured obligation is not affected by the fact that the obligation is itself secured by a transaction or interest to which this chapter does not apply.

c. Extent to which chapter does not apply. This chapter does not apply to the extent that:

- (1) a statute, regulation, or treaty of the United States preempts this chapter; or
- (2) the rights of a transferee beneficiary or nominated person under a letter of credit are independent and superior under 12A:5-114.

d. Inapplicability of chapter. This chapter does not apply to:

- (1) a landlord's lien, other than an agricultural lien;
- (2) a lien, other than an agricultural lien, given by statute or other rule of law for services or materials, but 12A:9-333 applies with respect to priority of the lien;
- (3) an assignment of a claim for wages, salary, or other compensation of an employee;
- (4) a sale of accounts, chattel paper, payment intangibles, or promissory notes as part of a sale of the business out of which they arose;
- (5) an assignment of accounts, chattel paper, payment intangibles, or promissory notes which is for the purpose of collection only;
- (6) an assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract;
- (7) an assignment of a single account, payment intangible, or promissory note to an assignee in full or partial satisfaction of a preexisting indebtedness;
- (8) a transfer of an interest in or an assignment of a claim under a policy of insurance, other than an assignment by or to a health-care provider of a health-care-insurance receivable and any subsequent assignment of the right to payment, but 12A:9-315 and 12A:9-322 apply with respect to proceeds and priorities in proceeds;
- (9) an assignment of a right represented by a judgment, other than a judgment taken on a right to payment that was collateral;
- (10) a right of recoupment or set-off, but:
  - (a) 12A:9-340 applies with respect to the effectiveness of rights of recoupment or set-off against deposit accounts; and
  - (b) 12A:9-404 applies with respect to defenses or claims of an account debtor;
- (11) the creation or transfer of an interest in or lien on real property, including a lease or rents thereunder, except to the extent that provision is made for:
  - (a) liens on real property in 12A:9-203 and 12A:9-308;
  - (b) fixtures in 12A:9-334;
  - (c) fixture filings in 12A:9-501, 12A:9-502, 12A:9-512 and 12A:9-516; and
  - (d) security agreements covering personal and real property in 12A:9-604;
- (12) an assignment of a claim arising in tort, other than a commercial tort claim, but 12A:9-315 and 12A:9-322 apply with respect to proceeds and priorities in proceeds;
- (13) an assignment of a deposit account in a consumer transaction, but 12A:9-315 and 12A:9-322 apply with respect to proceeds and priorities in proceeds; or
- (14) a transfer by a government or governmental unit.

Security interests arising under Chapter 2 or 2A.

12A:9-110. Security Interests Arising under Chapter 2 or 2A.

A security interest arising under 12A:2-401, 12A:2-505, 12A:2-711(3), or 12A:2A-508(5) is subject to this chapter. However, until the debtor obtains possession of the goods:

- (1) the security interest is enforceable, even if 12A:9-203 b.(3) has not been satisfied;
- (2) filing is not required to perfect the security interest;

(3) the rights of the secured party after default by the debtor are governed by Chapter 2 or 2A; and

(4) the security interest has priority over a conflicting security interest created by the debtor.

PART 2  
EFFECTIVENESS OF SECURITY AGREEMENT;  
ATTACHMENT OF SECURITY INTEREST;  
RIGHTS OF PARTIES TO SECURITY AGREEMENT

SUBPART 1. EFFECTIVENESS AND ATTACHMENT

General effectiveness of security agreement.

12A:9-201. General Effectiveness of Security Agreement.

a. General effectiveness. Except as otherwise provided in the Uniform Commercial Code, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

b. Applicable consumer laws and other law. A transaction subject to this chapter is subject to any applicable rule of law which establishes a different rule for consumers and to (1) any other statute or regulation that regulates the rates, charges, agreements, and practices for loans, credit sales, or other extensions of credit and (2) any consumer protection statute or regulation.

c. Other applicable law controls. In case of conflict between this chapter and a rule of law, statute, or regulation described in subsection b. of this section, the rule of law, statute, or regulation controls. Failure to comply with a statute or regulation described in subsection b. has only the effect the statute or regulation specifies.

d. Further deference to other applicable law. This chapter does not:

(1) validate any rate, charge, agreement, or practice that violates a rule of law, statute, or regulation described in subsection b. of this section; or

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

Title to collateral immaterial.

12A:9-202. Title to Collateral Immaterial.

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

Attachment and enforceability of security interest; proceeds; supporting obligations; formal requisites.

12A:9-203. Attachment and Enforceability of Security Interest; Proceeds; Supporting Obligations; Formal Requisites.

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

b. Enforceability. Except as otherwise provided in subsections c. through i. of this section, a security interest is enforceable against the debtor and third parties with respect to the collateral only if:

(1) value has been given;

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

(3) one of the following conditions is met:

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

(b) the collateral is not a certificated security and is in the possession of the secured party under 12A:9-313 pursuant to the debtor's security agreement;

(c) the collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under 12A:8-301 pursuant to the debtor's security agreement; or

(d) the collateral is deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights, and the secured party has control under 12A:9-104, 12A:9-105, 12A:9-106, or 12A:9-107 pursuant to the debtor's security agreement.

c. Other Uniform Commercial Code provisions. Subsection b. of this section is subject to 12A:4-210 on the security interest of a collecting bank, 12A:9-110 on a security interest arising under Chapter 2 or 2A, and 12A:9-206 on security interests in investment property.

d. When person becomes bound by another person's security agreement. A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than this chapter or by contract:

(1) the security agreement becomes effective to create a security interest in the person's property; or

(2) the person becomes generally obligated for the obligations of the other person, including the obligation secured under the security agreement, and acquires or succeeds to all or substantially all of the assets of the other person.

e. Effect of new debtor becoming bound. If a new debtor becomes bound as debtor by a security agreement entered into by another person:

(1) the agreement satisfies paragraph (3) of subsection b. of this section with respect to existing or after-acquired property of the new debtor to the extent the property is described in the agreement; and

(2) another agreement is not necessary to make a security interest in the property enforceable.

f. Proceeds and supporting obligations. The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by 12A:9-315 and is also attachment of a security interest in a supporting obligation for the collateral.

g. Lien securing right to payment. The attachment of a security interest in a right to payment or performance secured by a security interest or other lien on personal or real property is also attachment of a security interest in the security interest, mortgage, or other lien.

h. Security entitlement carried in securities account. The attachment of a security interest in a securities account is also attachment of a security interest in the security entitlements carried in the securities account.

i. Commodity contracts carried in commodity account. The attachment of a security interest in a commodity account is also attachment of a security interest in the commodity contracts carried in the commodity account.

j. Bondable transition property. Bondable transition property is presently existing property for all purposes, including for purposes of paragraph (2) of subsection b. of this section, whether or not the revenues and proceeds arising under the property have accrued and notwithstanding that the value of the property may depend upon customer use of electricity or performance of service by electric public utilities, or both.

After-acquired property; future advances.

12A:9-204. After-acquired Property; Future Advances.

a. After-acquired collateral. Except as otherwise provided in subsection b. of this section, a security agreement may create or provide for a security interest in after-acquired collateral.

b. When after-acquired property clause not effective. A security interest does not attach under a term constituting an after-acquired property clause to:

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

(2) a commercial tort claim.

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

Use or disposition of collateral permissible.

12A:9-205. Use or Disposition of Collateral Permissible.

a. When security interest not invalid or fraudulent. A security interest is not invalid or fraudulent against creditors solely because:

(1) the debtor has the right or ability to:

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

(b) collect, compromise, enforce, or otherwise deal with collateral;

(c) accept the return of collateral or make repossessions; or

(d) use, commingle, or dispose of proceeds; or

(2) the secured party fails to require the debtor to account for proceeds or replace collateral.

b. Requirements of possession not relaxed. This section does not relax the requirements of possession if attachment, perfection, or enforcement of a security interest depends upon possession of the collateral by the secured party.

Security interest arising in purchase or delivery of financial asset.

12A:9-206. Security Interest Arising in Purchase or Delivery of Financial Asset.

a. Security interest when person buys through securities intermediary. A security interest in favor of a securities intermediary attaches to a person's security entitlement if:

(1) the person buys a financial asset through the securities intermediary in a transaction in which the person is obligated to pay the purchase price to the securities intermediary at the time of the purchase; and

(2) the securities intermediary credits the financial asset to the buyer's securities account before the buyer pays the securities intermediary.

b. Security interest secures obligation to pay for financial asset. The security interest described in subsection a. of this section secures the person's obligation to pay for the financial asset.

c. Security interest in payment against delivery transaction. A security interest in favor of a person who delivers a certificated security or other financial asset represented by a writing attaches to the security or other financial asset if:

(1) the security or other financial asset:

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

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

(2) the agreement calls for delivery against payment.

d. Security interest secures obligation to pay for delivery. The security interest described in subsection c. of this section secures the obligation to make payment for the delivery.

12A:9-207. [BLANK]

## SUBPART 2. RIGHTS AND DUTIES

Rights and duties of secured party having possession or control of collateral.

12A:9-208. Rights and Duties of Secured Party Having Possession or Control of Collateral.

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

b. Expenses, risks, duties, and rights when secured party in possession. Except as otherwise provided in subsection d. of this section, if a secured party has possession of collateral:

(1) reasonable expenses, including the cost of insurance and payment of taxes or other charges, incurred in the custody, preservation, use or operation of the collateral are chargeable

to the debtor and are secured by the collateral;

(2) the risk of accidental loss or damage is on the debtor to the extent of a deficiency in any effective insurance coverage;

(3) the secured party shall keep the collateral identifiable, but fungible collateral may be commingled; and

(4) the secured party may use or operate the collateral:

(a) for the purpose of preserving the collateral or its value;

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

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

c. Duties and rights when secured party in possession or control. Except as otherwise provided in subsection d. of this section, a secured party having possession of collateral or control of collateral under 12A:9-104, 12A:9-105, 12A:9-106, or 12A:9-107:

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

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

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

d. Buyer of certain rights to payment. If the secured party is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

(1) subsection a. of this section does not apply unless the secured party is entitled under an agreement:

(a) to charge back uncollected collateral; or

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

(2) subsections b. and c. of this section do not apply.

Additional duties of secured party having control of collateral.

12A:9-209. Additional Duties of Secured Party Having Control of Collateral.

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

b. Duties of secured party after receiving demand from debtor. Within 10 days after receiving an authenticated demand by the debtor:

(1) a secured party having control of a deposit account under 12A:9-104a.(2) shall send to the bank with which the deposit account is maintained an authenticated statement that releases the bank from any further obligation to comply with instructions originated by the secured party;

(2) a secured party having control of a deposit account under 12A:9-104a.(3) shall:

(a) pay the debtor the balance on deposit in the deposit account; or

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

(3) a secured party, other than a buyer, having control of electronic chattel paper under 12A:9-105 shall:

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

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

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

(4) a secured party having control of investment property under 12A:8-106d.(2) or 12A:9-106b. shall send to the securities intermediary or commodity intermediary with which the security entitlement or commodity contract is maintained an authenticated record that releases the securities intermediary or commodity intermediary from any further obligation to comply

with entitlement orders or directions originated by the secured party; and

(5) a secured party having control of a letter-of-credit right under 12A:9-107 shall send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party.

Duties of secured party if account debtor has been notified of assignment.

12A:9-210. Duties of Secured Party If Account Debtor Has Been Notified of Assignment.

a. Applicability of section. Except as otherwise provided in subsection c., this section applies if:

(1) there is no outstanding secured obligation; and

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

b. Duties of secured party after receiving demand from debtor. Within 10 days after receiving an authenticated demand by the debtor, a secured party shall send to an account debtor that has received notification of an assignment to the secured party as assignee under 12A:9-406a. an authenticated record that releases the account debtor from any further obligation to the secured party.

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

Request for accounting; request regarding list of collateral or statement of account.

12A:9-211. Request for Accounting; Request Regarding List of Collateral or Statement of Account.

a. Definitions. In this section:

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

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

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

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

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

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

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

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

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

(1) disclaiming any interest in the collateral; and

(2) if known to the person, providing the name and mailing address of any assignee of or



successor to the person's interest in the collateral.

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

- (1) disclaiming any interest in the obligations; and
- (2) if known to the person, providing the name and mailing address of any assignee of or successor to the person's interest in the obligations.

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

### PART 3 PERFECTION AND PRIORITY

#### SUBPART 1. LAW GOVERNING PERFECTION AND PRIORITY

Law governing perfection and priority of security interests.

12A:9-301. Law Governing Perfection and Priority of Security Interests.

Except as otherwise provided in sections 12A:9-303 through 12A:9-306, the following rules determine the law governing perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral:

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

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

c. Except as otherwise provided in subsection d. of this section, while negotiable documents, goods, instruments, money, or tangible chattel paper are located in a jurisdiction, the local law of that jurisdiction governs:

- (1) the perfection of a security interest in the goods by filing a fixture filing;
- (2) the perfection of a security interest in timber to be cut; and
- (3) the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.

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

e. Notwithstanding subsection a. of this section, the local law of this State shall govern the perfection, the effect of perfection or nonperfection, and the priority of a security interest in bondable transition property.

Law governing perfection and priority of agricultural liens.

12A:9-302. Law Governing Perfection and Priority of Agricultural Liens.

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

Law governing perfection and priority of security interests in goods covered by a certificate of title.

12A:9-303. Law Governing Perfection and Priority of Security Interests in Goods Covered by a Certificate of Title.

a. Applicability of section. This section applies to goods covered by a certificate of title, even if there is no other relationship between the jurisdiction under whose certificate of title the

goods are covered and the goods or the debtor.

b. When goods covered by certificate of title. Goods become covered by a certificate of title when a valid application for the certificate of title and the applicable fee are delivered to the appropriate authority. Goods cease to be covered by a certificate of title at the earlier of the time the certificate of title ceases to be effective under the law of the issuing jurisdiction and the time the goods become covered subsequently by a certificate of title issued by another jurisdiction.

c. Applicable law. The local law of the jurisdiction under whose certificate of title the goods are covered governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in goods covered by a certificate of title from the time the goods become covered by the certificate of title until the goods cease to be covered by the certificate of title.

Law governing perfection and priority of security interests in deposit accounts.

12A:9-304. Law Governing Perfection and Priority of Security Interests in Deposit Accounts.

a. Law of bank's jurisdiction governs. The local law of a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a deposit account maintained with that bank.

b. Bank's jurisdiction. The following rules determine a bank's jurisdiction for purposes of this part:

(1) If an agreement between the bank and the debtor governing the deposit account expressly provides that a particular jurisdiction is the bank's jurisdiction for purposes of this part, this chapter, or the Uniform Commercial Code, that jurisdiction is the bank's jurisdiction.

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

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

(4) If none of paragraphs (1) through (3) of this subsection applies, the bank's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the customer's account is located.

(5) If none of paragraphs (1) through (4) of this subsection applies, the bank's jurisdiction is the jurisdiction in which the chief executive office of the bank is located.

Law governing perfection and priority of security interests in investment property.

12A:9-305. Law Governing Perfection and Priority of Security Interests in Investment Property.

a. Governing law: general rules. Except as otherwise provided in subsection c. of this section, the following rules apply:

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

(2) The local law of the issuer's jurisdiction as specified in 12A:8-110d. governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in an uncertificated security.

(3) The local law of the securities intermediary's jurisdiction as specified in 12A:8-110e. governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a security entitlement or securities account.

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

b. Commodity intermediary's jurisdiction. The following rules determine a commodity intermediary's jurisdiction for purposes of this part:

(1) If an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that a particular jurisdiction is the commodity

intermediary's jurisdiction for purposes of this part, this chapter, or the Uniform Commercial Code, that jurisdiction is the commodity intermediary's jurisdiction.

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

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

(4) If none of paragraphs (1) through (3) of this subsection applies, the commodity intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the commodity customer's account is located.

(5) If none of paragraphs (1) through (4) of this subsection applies, the commodity intermediary's jurisdiction is the jurisdiction in which the chief executive office of the commodity intermediary is located.

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

- (1) perfection of a security interest in investment property by filing;
- (2) automatic perfection of a security interest in investment property created by a broker or securities intermediary; and
- (3) automatic perfection of a security interest in a commodity contract or commodity account created by a commodity intermediary.

Law governing perfection and priority of security interests in letter-of-credit rights.

12A:9-306. Law Governing Perfection and Priority of Security Interests in Letter-of-Credit Rights.

a. Governing law: issuer's or nominated person's jurisdiction. Subject to subsection c. of this section, the local law of the issuer's jurisdiction or a nominated person's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a letter-of-credit right if the issuer's jurisdiction or nominated person's jurisdiction is a state.

b. Issuer's or nominated person's jurisdiction. For purposes of this part, an issuer's jurisdiction or nominated person's jurisdiction is the jurisdiction whose law governs the liability of the issuer or nominated person with respect to the letter-of-credit right as provided in 12A:5-116.

c. When section not applicable. This section does not apply to a security interest that is perfected only under 12A:9-308d.

Location of debtor.

12A:9-307. Location of Debtor.

a. "Place of business." In this section, "place of business" means a place where a debtor conducts its affairs.

b. Debtor's location: general rules. Except as otherwise provided in this section, the following rules determine a debtor's location:

- (1) A debtor who is an individual is located at the individual's principal residence.
- (2) A debtor that is an organization and has only one place of business is located at its place of business.
- (3) A debtor that is an organization and has more than one place of business is located at its chief executive office.

c. Limitation of applicability of subsection b. Subsection b. of this section applies only if a debtor's residence, place of business, or chief executive office, as applicable, is located in a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, recording, or registration system as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral. If subsection b. does not apply, the debtor

is located in the District of Columbia.

d. Continuation of location: cessation of existence, etc. A person who ceases to exist, have a residence, or have a place of business continues to be located in the jurisdiction specified by subsections b. and c of this section.

e. Location of registered organization organized under State law. A registered organization that is organized under the law of a state is located in that state.

f. Location of registered organization organized under federal law; bank branches and agencies. Except as otherwise provided in subsection i. of this section, a registered organization that is organized under the law of the United States and a branch or agency of a bank that is not organized under the law of the United States or a state are located:

(1) in the State that the law of the United States designates, if the law designates a state of location;

(2) in the state that the registered organization, branch, or agency designates, if the law of the United States authorizes the registered organization, branch, or agency to designate its state of location; or

(3) in the District of Columbia, if neither paragraph (1) nor paragraph (2) of this subsection applies.

g. Continuation of location: change in status of registered organization. A registered organization continues to be located in the jurisdiction specified by subsection e. or f. of this section notwithstanding:

(1) the suspension, revocation, forfeiture, or lapse of the registered organization's status as such in its jurisdiction of organization; or

(2) the dissolution, winding up, or cancellation of the existence of the registered organization.

h. Location of United States. The United States is located in the District of Columbia.

i. Location of foreign bank branch or agency if licensed in only one state. A branch or agency of a bank that is not organized under the law of the United States or a state is located in the state in which the branch or agency is licensed, if all branches and agencies of the bank are licensed in only one state.

j. Location of foreign air carrier. A foreign air carrier covered under the Federal Aviation Act of 1958, as amended (49 U.S.C. s.1301 et seq.), is located at the designated office of the agent upon which service of process may be made on behalf of the carrier.

k. Section applies only to this part. This section applies only for purposes of this part.

## SUBPART 2. PERFECTION

When security interest or agricultural lien is perfected; continuity of perfection.

12A:9-308. When Security Interest or Agricultural Lien Is Perfected; Continuity of Perfection.

a. Perfection of security interest. Except as otherwise provided in this section and 12A:9-309, a security interest is perfected if it has attached and all of the applicable requirements for perfection in 12A:9-310 through 12A:9-316 have been satisfied. A security interest is perfected when it attaches if the applicable requirements are satisfied before the security interest attaches.

b. Perfection of agricultural lien. An agricultural lien is perfected if it has become effective and all of the applicable requirements for perfection in 12A:9-310 have been satisfied. An agricultural lien is perfected when it becomes effective if the applicable requirements are satisfied before the agricultural lien becomes effective.

c. Continuous perfection; perfection by different methods. A security interest or agricultural lien is perfected continuously if it is originally perfected by one method under this chapter and is later perfected by another method under this chapter, without an intermediate period when it was unperfected.

d. Supporting obligation. Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.

e. Lien securing right to payment. Perfection of a security interest in a right to payment or

performance also perfects a security interest in a security interest, mortgage, or other lien on personal or real property securing the right.

f. Security entitlement carried in securities account. Perfection of a security interest in a securities account also perfects a security interest in the security entitlements carried in the securities account.

g. Commodity contract carried in commodity account. Perfection of a security interest in a commodity account also perfects a security interest in the commodity contracts carried in the commodity account.

Security interest perfected upon attachment.

12A:9-309. Security Interest Perfected upon Attachment.

The following security interests are perfected when they attach:

a. a purchase-money security interest in consumer goods, except as otherwise provided in 12A:9-311b. with respect to consumer goods that are subject to a statute or treaty described in 12A:9-311a.;

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

c. a sale of a payment intangible;

d. a sale of a promissory note;

e. a security interest created by the assignment of a health-care-insurance receivable to the provider of the health-care goods or services;

f. a security interest arising under 12A:2-401, 12A:2-505, 12A:2-711(3), 12A:2A-508(5), until the debtor obtains possession of the collateral;

g. security interest of a collecting bank arising under 12A:4-210;

h. a security interest arising in the delivery of a financial asset under 12A:9-206c.;

i. a security interest in investment property created by a broker or securities intermediary;

j. a security interest in a commodity contract or a commodity account created by a commodity intermediary;

k. An assignment for the benefit of all creditors of the transferor and subsequent transfers by the assignee thereunder; and

l. A security interest created by an assignment of a beneficial interest in a decedent's estate.

When filing required to perfect security interest or agricultural lien; security interests and agricultural liens to which filing provisions do not apply.

12A:9-310. When Filing Required to Perfect Security Interest or Agricultural Lien; Security Interests and Agricultural Liens to Which Filing Provisions Do Not Apply.

a. General rule: perfection by filing. Except as otherwise provided in subsection b. of this section and 12A:9-312b., a financing statement shall be filed to perfect all security interests and agricultural liens.

b. Exceptions: filing not necessary. The filing of a financing statement is not necessary to perfect a security interest:

(1) that is perfected under subsections d., e., f. or g. of 12A:9-308;

(2) that is perfected under 12A:9-309 when it attaches;

(3) in property subject to a statute, regulation, or treaty described in of 12A:9-311a.;

(4) in goods in possession of a bailee which is perfected under 12A:9-312d.(1) or (2);

(5) in certificated securities, documents, goods, or instruments which is perfected without filing or possession under subsection e., f. or g. of 12A:9-312;

(6) in collateral in the secured party's possession under 12A:9-313;

(7) in a certificated security which is perfected by delivery of the security certificate to the secured party under 12A:9-313;

(8) in deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights which is perfected by control under 12A:9-314;

(9) in proceeds which is perfected under 12A:9-315; or

(10) that is perfected under 12A:9-316.

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

Perfection of security interests in property subject to certain statutes, regulations, and treaties.

12A:9-311. Perfection of Security Interests in Property Subject to Certain Statutes, Regulations, and Treaties.

a. Security interest subject to other law. Except as otherwise provided in subsection d. of this section, the filing of a financing statement is not necessary or effective to perfect a security interest in property subject to:

(1) a statute, regulation, or treaty of the United States whose requirements for a security interest's obtaining priority over the rights of a lien creditor with respect to the property preempt 12A:9-310a.

(2) the "motor vehicle certificate of ownership law," R.S. 39:10-1 et seq. and the "Boat Ownership Certificate Act," P.L.1984, c.152 (C.12:7A-1 et seq.); or

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

b. Compliance with other law. Compliance with the requirements of a statute, regulation, or treaty described in subsection a. of this section for obtaining priority over the rights of a lien creditor is equivalent to the filing of a financing statement under this chapter. Except as otherwise provided in subsection d. of this section, 12A:9-313 and subsections d. and e. of 12A:9-316 for goods covered by a certificate of title, a security interest in property subject to a statute, regulation, or treaty described in subsection a. of this section may be perfected only by compliance with those requirements, and a security interest so perfected remains perfected notwithstanding a change in the use or transfer of possession of the collateral.

c. Duration and renewal of perfection. Except as otherwise provided in subsection d. of this section and subsections d. and e. of 12A:9-316, duration and renewal of perfection of a security interest perfected by compliance with the requirements prescribed by a statute, regulation, or treaty described in subsection a. are governed by the statute, regulation, or treaty. In other respects, the security interest is subject to this chapter.

d. Inapplicability to certain inventory. During any period in which collateral is inventory held for sale or lease by a person or leased by that person as lessor and that person is in the business of selling or leasing goods of that kind, this section does not apply to a security interest in that collateral created by that person as debtor.

Perfection of security interests in chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letter-of-credit rights, and money; perfection by permissive filing; temporary perfection without filing or transfer of possession.

12A:9-312. Perfection of Security Interests in Chattel Paper, Deposit Accounts, Documents, Goods Covered by Documents, Instruments, Investment Property, Letter-of-credit Rights, and Money; Perfection by Permissive Filing; Temporary Perfection Without Filing or Transfer of Possession.

a. Perfection by filing permitted. A security interest in chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

b. Control or possession of certain collateral. Except as otherwise provided in subsections c. and d. of 12A:9-315 for proceeds:

(1) a security interest in a deposit account may be perfected only by control under 12A:9-314;

(2) and except as otherwise provided in 12A:9-308d., a security interest in a letter-of-credit right may be perfected only by control under 12A:9-314; and

(3) a security interest in money may be perfected only by the secured party's taking possession under 12A:9-313.

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

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

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

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

- (1) issuance of a document in the name of the secured party;
- (2) the bailee's receipt of notification of the secured party's interest; or
- (3) filing as to the goods.

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

f. Temporary perfection: goods or documents made available to debtor. A perfected security interest in a negotiable document or goods in possession of a bailee, other than one that has issued a negotiable document for the goods, remains perfected for 20 days without filing if the secured party makes available to the debtor the goods or documents representing the goods for the purpose of:

- (1) ultimate sale or exchange; or
- (2) loading, unloading, storing, shipping, transshipping, manufacturing, processing, or otherwise dealing with them in a manner preliminary to their sale or exchange.

g. Temporary perfection: delivery of security certificate or instrument to debtor. A perfected security interest in a certificated security or instrument remains perfected for 20 days without filing if the secured party delivers the security certificate or instrument to the debtor for the purpose of:

- (1) ultimate sale or exchange; or
- (2) presentation, collection, enforcement, renewal, or registration of transfer.

h. Expiration of temporary perfection. After the 20-day period specified in subsection e., f. or g. of this section expires, perfection depends upon compliance with this chapter.

When possession by or delivery to secured party perfects security interest without filing.

12A:9-313. When Possession by or Delivery to Secured Party Perfects Security Interest Without Filing.

a. Perfection by possession or delivery. Except as otherwise provided in subsection b., a secured party may perfect a security interest in negotiable documents, goods, instruments, money, or tangible chattel paper by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the certificated securities under 12A:8-301.

b. Goods covered by certificate of title. With respect to goods covered by a certificate of title issued by this State, a secured party may perfect a security interest in the goods by taking possession of the goods only in the circumstances described in 12A:9-316d.

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

- (1) the person in possession authenticates a record acknowledging that it holds possession of the collateral for the secured party's benefit; or
- (2) the person takes possession of the collateral after having authenticated a record acknowledging that it will hold possession of collateral for the secured party's benefit.

d. Time of perfection by possession; continuation of perfection. If perfection of a security interest depends upon possession of the collateral by a secured party, perfection occurs no earlier than the time the secured party takes possession and continues only while the secured party retains possession.

e. Time of perfection by delivery; continuation of perfection. A security interest in a

certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under 12A:8-301 and remains perfected by delivery until the debtor obtains possession of the security certificate.

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

g. Effectiveness of acknowledgment; no duties or confirmation. If a person acknowledges that it holds possession for the secured party's benefit:

(1) the acknowledgment is effective under subsection c. of this section or subsection a. of 12A:8-301, even if the acknowledgment violates the rights of a debtor; and

(2) unless the person otherwise agrees or law other than this chapter otherwise provides, the person does not owe any duty to the secured party and is not required to confirm the acknowledgment to another person.

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

(1) to hold possession of the collateral for the secured party's benefit; or

(2) to redeliver the collateral to the secured party.

i. Effect of delivery under subsection h.; no duties or confirmation. A secured party does not relinquish possession, even if a delivery under subsection h. of this section violates the rights of a debtor. A person to which collateral is delivered under subsection h. does not owe any duty to the secured party and is not required to confirm the delivery to another person unless the person otherwise agrees or law other than this chapter otherwise provides.

Perfection by control.

12A:9-314. Perfection by Control.

a. Perfection by control. A security interest in investment property, deposit accounts, letter-of-credit rights, or electronic chattel paper may be perfected by control of the collateral under 12A:9-104, 12A:9-105, 12A:9-106 or 12A:9-107.

b. Specified collateral: time of perfection by control; continuation of perfection. A security interest in deposit accounts, electronic chattel paper, or letter-of-credit rights is perfected by control under 12A:9-104, 12A:9-105 or 12A:9-107 when the secured party obtains control and remains perfected by control only while the secured party retains control.

c. Investment property: time of perfection by control; continuation of perfection. A security interest in investment property is perfected by control under 12A:9-106 from the time the secured party obtains control and remains perfected by control until:

(1) the secured party does not have control; and

(2) one of the following occurs:

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

(b) if the collateral is an uncertificated security, the issuer has registered or registers the debtor as the registered owner; or

(c) if the collateral is a security entitlement, the debtor is or becomes the entitlement holder.

Secured party's rights on disposition of collateral and in proceeds.

12A:9-315. Secured Party's Rights on Disposition of Collateral and in Proceeds.

a. Disposition of collateral: continuation of security interest or agricultural lien; proceeds. Except as otherwise provided in this chapter and in 12A:2-403(2):

(1) a security interest or agricultural lien continues in collateral notwithstanding sale, lease, license, exchange, or other disposition thereof unless the secured party authorized the disposition free of the security interest or agricultural lien; and

(2) a security interest attaches to any identifiable proceeds of collateral.

b. When commingled proceeds identifiable. Proceeds that are commingled with other property are identifiable proceeds:



- (1) if the proceeds are goods, to the extent provided by 12A:9-336; and
  - (2) if the proceeds are not goods, to the extent that the secured party identifies the proceeds by a method of tracing, including application of equitable principles, that is permitted under law other than this chapter with respect to commingled property of the type involved.
- c. Perfection of security interest in proceeds. A security interest in proceeds is a perfected security interest if the security interest in the original collateral was perfected.
- d. Continuation of perfection. A perfected security interest in proceeds becomes unperfected on the 21st day after the security interest attaches to the proceeds unless:
- (1) the following conditions are satisfied:
    - (a) a filed financing statement covers the original collateral;
    - (b) the proceeds are collateral in which a security interest may be perfected by filing in the office in which the financing statement has been filed; and
    - (c) the proceeds are not acquired with cash proceeds;
  - (2) the proceeds are identifiable cash proceeds; or
  - (3) the security interest in the proceeds is perfected other than under subsection c. of this section when the security interest attaches to the proceeds or within 20 days thereafter.
- e. When perfected security interest in proceeds becomes unperfected. If a filed financing statement covers the original collateral, a security interest in proceeds which remains perfected under paragraph (1) of subsection d. of this section becomes unperfected at the later of:
- (1) when the effectiveness of the filed financing statement lapses under 12A:9-515 or is terminated under 12A:9-513; or
  - (2) the 21st day after the security interest attaches to the proceeds.

Continued perfection of security interest following change in governing law.

12A:9-316. Continued Perfection of Security Interest Following Change in Governing Law.

a. General rule: effect on perfection of change in governing law. A security interest perfected pursuant to the law of the jurisdiction designated in 12A:9-301a. or 12A:9-305c. remains perfected until the earliest of:

- (1) the time perfection would have ceased under the law of that jurisdiction;
- (2) the expiration of four months after a change of the debtor's location to another jurisdiction; or
- (3) the expiration of one year after a transfer of collateral to a person who thereby becomes a debtor and is located in another jurisdiction.

b. Security interest perfected or unperfected under law of new jurisdiction. If a security interest described in subsection a. of this section becomes perfected under the law of the other jurisdiction before the earliest time or event described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earliest time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

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

- (1) the collateral is located in one jurisdiction and subject to a security interest perfected under the law of that jurisdiction;
- (2) thereafter the collateral is brought into another jurisdiction; and
- (3) upon entry into the other jurisdiction, the security interest is perfected under the law of the other jurisdiction.

d. Goods covered by certificate of title from this State. Except as otherwise provided in subsection e. of this section, a security interest in goods covered by a certificate of title which is perfected by any method under the law of another jurisdiction when the goods become covered by a certificate of title from this State remains perfected until the security interest would have become unperfected under the law of the other jurisdiction had the goods not become so covered.

e. When subsection d. security interest becomes unperfected against purchasers. A security interest described in subsection d. of this section becomes unperfected as against a purchaser of

the goods for value and is deemed never to have been perfected as against a purchaser of the goods for value if the applicable requirements for perfection under 12A:9-311b. or 12A:9-313 are not satisfied before the earlier of:

- (1) the time the security interest would have become unperfected under the law of the other jurisdiction had the goods not become covered by a certificate of title from this State; or
- (2) the expiration of four months after the goods had become so covered.

f. Change in jurisdiction of bank, issuer, nominated person, securities intermediary, or commodity intermediary. A security interest in deposit accounts, letter-of-credit rights, or investment property which is perfected under the law of the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains perfected until the earlier of:

- (1) the time the security interest would have become unperfected under the law of that jurisdiction; or
- (2) the expiration of four months after a change of the applicable jurisdiction to another jurisdiction.

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

### SUBPART 3. PRIORITY

Interests that take priority over or take free of security interest or agricultural lien.

12A:9-317. Interests That Take Priority Over or Take Free of Security Interest or Agricultural Lien.

a. Conflicting security interests and rights of lien creditors. A security interest or agricultural lien is subordinate to the rights of:

- (1) a person entitled to priority under 12A:9-322; and

(2) except as otherwise provided in subsection e. of this section, a person who becomes a lien creditor before the earlier of the time the security interest or agricultural lien is perfected or a financing statement covering the collateral is filed.

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

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

d. Licensees and buyers of certain collateral. A licensee of a general intangible or a buyer, other than a secured party, of accounts, electronic chattel paper, general intangibles, or investment property other than a certificated security takes free of a security interest if the licensee or buyer gives value without knowledge of the security interest and before it is perfected.

e. Purchase-money security interest. Except as otherwise provided in 12A:9-320 and 12A:9-321, if a person files a financing statement with respect to a purchase-money security interest before or within 20 days after the debtor receives delivery of the collateral, the security interest takes priority over the rights of a buyer, lessee, or lien creditor which arise between the time the security interest attaches and the time of filing.

No interest retained in right to payment that is sold; rights and title of seller of account or chattel

paper with respect to creditors and purchasers.

12A:9-318. No Interest Retained in Right to Payment That Is Sold; Rights and Title of Seller of Account or Chattel Paper with Respect to Creditors and Purchasers.

a. Seller retains no interest. A debtor that has sold an account, chattel paper, payment intangible, or promissory note does not retain a legal or equitable interest in the collateral sold.

b. Deemed rights of debtor if buyer's security interest unperfected. For purposes of determining the rights of creditors of, and purchasers for value of an account or chattel paper from, a debtor that has sold an account or chattel paper, while the buyer's security interest is unperfected, the debtor is deemed to have rights and title to the account or chattel paper identical to those the debtor sold.

Rights and title of consignee with respect to creditors and purchasers.

12A:9-319. Rights and Title of Consignee with Respect to Creditors and Purchasers.

a. Consignee has consignor's rights. Except as otherwise provided in subsection b., for purposes of determining the rights of creditors of, and purchasers for value of goods from, a consignee, while the goods are in the possession of the consignee, the consignee is deemed to have rights and title to the goods identical to those the consignor had or had power to transfer.

b. Applicability of other law. For purposes of determining the rights of a creditor of a consignee, law other than this chapter determines the rights and title of a consignee while goods are in the consignee's possession if, under this part, a perfected security interest held by the consignor would have priority over the rights of the creditor.

Buyer of goods.

12A:9-320. Buyer of Goods.

a. Buyer in ordinary course of business. Except as otherwise provided in subsection e. of this section, a buyer in ordinary course of business, other than a person buying farm products from a person engaged in farming operations, takes free of a security interest created by the buyer's seller, even if the security interest is perfected and the buyer knows of its existence.

b. Buyer of consumer goods. Except as otherwise provided in subsection e., a buyer of goods from a person who used or bought the goods for use primarily for personal, family, or household purposes takes free of a security interest, even if perfected, if the buyer buys:

- (1) without knowledge of the security interest;
- (2) for value;
- (3) primarily for the buyer's personal, family, or household purposes; and
- (4) before the filing of a financing statement covering the goods.

c. Effectiveness of filing for subsection b. To the extent that it affects the priority of a security interest over a buyer of goods under subsection b. of this section, the period of effectiveness of a filing made in the jurisdiction in which the seller is located is governed by 12A:9-316a. and b.

d. Buyer in ordinary course of business at wellhead or minehead. A buyer in ordinary course of business buying oil, gas, or other minerals at the wellhead or minehead or after extraction takes free of an interest arising out of an encumbrance.

e. Possessory security interest not affected. Subsections a. and b. of this section do not affect a security interest in goods in the possession of the secured party under 12A:9-313.

Licensee of general intangible and lessee of goods in ordinary course of business.

12A:9-321. Licensee of General Intangible and Lessee of Goods in Ordinary Course of Business.

a. "Licensee in ordinary course of business." In this section, "licensee in ordinary course of business" means a person who becomes a licensee of a general intangible in good faith, without knowledge that the license violates the rights of another person in the general intangible, and in the ordinary course from a person in the business of licensing general intangibles of that kind. A person becomes a licensee in the ordinary course if the license to the person comports with the usual or customary practices in the kind of business in which the licensor is engaged or with the licensor's own usual or customary practices.

b. Rights of licensee in ordinary course of business. A licensee in ordinary course of business takes its rights under a nonexclusive license free of a security interest in the general intangible created by the licensor, even if the security interest is perfected and the licensee knows of its existence.

c. Rights of lessee in ordinary course of business. A lessee in ordinary course of business takes its leasehold interest free of a security interest in the goods created by the lessor, even if the security interest is perfected and the lessee knows of its existence.

Priorities among conflicting security interests in and agricultural liens on same collateral.

12A:9-322. Priorities Among Conflicting Security Interests in and Agricultural Liens on Same Collateral.

a. General priority rules. Except as otherwise provided in this section, priority among conflicting security interests and agricultural liens in the same collateral is determined according to the following rules:

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

(2) A perfected security interest or agricultural lien has priority over a conflicting unperfected security interest or agricultural lien.

(3) The first security interest or agricultural lien to attach or become effective has priority if conflicting security interests and agricultural liens are unperfected.

b. Time of perfection: proceeds and supporting obligations. For the purposes of paragraph (1) of subsection a. of this section:

(1) the time of filing or perfection as to a security interest in collateral is also the time of filing or perfection as to a security interest in proceeds; and

(2) the time of filing or perfection as to a security interest in collateral supported by a supporting obligation is also the time of filing or perfection as to a security interest in the supporting obligation.

c. Special priority rules: proceeds and supporting obligations. Except as otherwise provided in subsection f. of this section, a security interest in collateral which qualifies for priority over a conflicting security interest under 12A:9-327, 12A:9-328, 12A:9-329, 12A:9-330, or 12A:9-331 also has priority over a conflicting security interest in:

(1) any supporting obligation for the collateral; and

(2) proceeds of the collateral if:

(a) the security interest in proceeds is perfected;

(b) the proceeds are cash proceeds or of the same type as the collateral; and

(c) in the case of proceeds that are proceeds of proceeds, all intervening proceeds are cash proceeds, proceeds of the same type as the collateral, or an account relating to the collateral.

d. First-to-file priority rule for certain collateral. Subject to subsection e. and except as otherwise provided in subsection f. of this section, if a security interest in chattel paper, deposit accounts, negotiable documents, instruments, investment property, or letter-of-credit rights is perfected by a method other than filing, conflicting perfected security interests in proceeds of the collateral rank according to priority in time of filing.

e. Applicability of subsection d. Subsection d. of this section applies only if the proceeds of the collateral are not cash proceeds, chattel paper, negotiable documents, instruments, investment property, or letter-of-credit rights.

f. Limitations on subsections a. through e. Subsections a. through e. of this section are subject to:

(1) subsection g. and the other provisions of this part;

(2) 12A:4-210 with respect to a security interest of a collecting bank; and

(3) 12A:9-110 with respect to a security interest arising under Chapter 2 or 2A.

g. Priority under agricultural lien statute. A perfected agricultural lien on collateral has priority over a conflicting security interest in or agricultural lien on the same collateral if the statute creating the agricultural lien so provides.

Future advances.

12A:9-323. Future Advances.

a. When priority based on time of advance. Except as otherwise provided in subsection c. of this section, for purposes of determining the priority of a perfected security interest under 12A:9-322a.(1), perfection of the security interest dates from the time an advance is made to the extent that the security interest secures an advance that:

(1) is made while the security interest is perfected only:

- (a) under 12A:9-309 when it attaches; or
- (b) temporarily under 12A:9-312e., f., or g.; and

(2) is not made pursuant to a commitment entered into before or while the security interest is perfected by a method other than under 12A:9-309 or 12A:9-312e., f., or g.

b. Lien creditor. Except as otherwise provided in subsection c. of this section, a security interest is subordinate to the rights of a person who becomes a lien creditor to the extent that the security interest secures an advance made more than 45 days after the person becomes a lien creditor unless the advance is made:

- (1) without knowledge of the lien; or
- (2) pursuant to a commitment entered into without knowledge of the lien.

c. Buyer of receivables. Subsections a. and b. of this section do not apply to a security interest held by a secured party that is a buyer of accounts, chattel paper, payment intangibles, or promissory notes, or a consignor.

d. Buyer of goods. Except as otherwise provided in subsection e. of this section, a buyer of goods other than a buyer in ordinary course of business takes free of a security interest to the extent that it secures advances made after the earlier of:

- (1) the time the secured party acquires knowledge of the buyer's purchase; or
- (2) 45 days after the purchase.

e. Advances made pursuant to commitment: priority of buyer of goods. Subsection d. of this section does not apply if the advance is made pursuant to a commitment entered into without knowledge of the buyer's purchase and before the expiration of the 45-day period.

f. Lessee of goods. Except as otherwise provided in subsection g. of this section, a lessee of goods, other than a lessee in ordinary course of business, takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of:

- (1) the time the secured party acquires knowledge of the lease; or
- (2) 45 days after the lease contract becomes enforceable.

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

Priority of purchase-money security interests.

12A:9-324. Priority of Purchase-Money Security Interests.

a. General rule: purchase-money priority. Except as otherwise provided in subsection g. of this section, a perfected purchase-money security interest in goods other than inventory or livestock has priority over a conflicting security interest in the same goods, and, except as otherwise provided in 12A:9-327, a perfected security interest in its identifiable proceeds also has priority, if the purchase-money security interest is perfected when the debtor receives possession of the collateral or within 20 days thereafter.

b. Inventory purchase-money priority. Subject to subsection c. and except as otherwise provided in subsection g. of this section, a perfected purchase-money security interest in inventory has priority over a conflicting security interest in the same inventory, has priority over a conflicting security interest in chattel paper or an instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if so provided in 12A:9-330, and, except as otherwise provided in 12A:9-327, also has priority in identifiable cash proceeds of the inventory to the extent the identifiable cash proceeds are received on or before the delivery of the inventory to a buyer, if:

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

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

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

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

c. Holders of conflicting inventory security interests to be notified. Paragraphs 2 through 4 of subsection b. of this section apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of inventory:

(1) if the purchase-money security interest is perfected by filing, before the date of the filing; or

(2) if the purchase-money security interest is temporarily perfected without filing or possession under 12A:9-312f., before the beginning of the 20-day period thereunder.

d. Livestock purchase-money priority. Subject to subsection e. and except as otherwise provided in subsection g. of this section, a perfected purchase-money security interest in livestock that are farm products has priority over a conflicting security interest in the same livestock, and, except as otherwise provided in 12A:9-327, a perfected security interest in their identifiable proceeds and identifiable products in their unmanufactured states also has priority, if:

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

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

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

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

e. Holders of conflicting livestock security interests to be notified. Paragraphs 2 through 4 of subsection d. of this section apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of livestock:

(1) if the purchase-money security interest is perfected by filing, before the date of the filing; or

(2) if the purchase-money security interest is temporarily perfected without filing or possession under 12A:9-312f., before the beginning of the 20-day period thereunder.

f. Software purchase-money priority. Except as otherwise provided in subsection g. of this section, a perfected purchase-money security interest in software has priority over a conflicting security interest in the same collateral, and, except as otherwise provided in 12A:9-327, a

perfected security interest in its identifiable proceeds also has priority, to the extent that the purchase-money security interest in the goods in which the software was acquired for use has priority in the goods and proceeds of the goods under this section.

g. Conflicting purchase-money security interests. If more than one security interest qualifies for priority in the same collateral under subsection a., b., d., or f. of this section:

(1) a security interest securing an obligation incurred as all or part of the price of the collateral has priority over a security interest securing an obligation incurred for value given to enable the debtor to acquire rights in or the use of collateral; and

(2) in all other cases, 12A:9-322a. applies to the qualifying security interests.

Priority of security interests in transferred collateral.

12A:9-325. Priority of Security Interests in Transferred Collateral.

a. Subordination of security interest in transferred collateral. Except as otherwise provided in subsection b. of this section, a security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if:

(1) the debtor acquired the collateral subject to the security interest created by the other person;

(2) the security interest created by the other person was perfected when the debtor acquired the collateral; and

(3) there is no period thereafter when the security interest is unperfected.

b. Limitation of subsection a. subordination. Subsection a. of this section subordinates a security interest only if the security interest:

(1) otherwise would have priority solely under 12A:9-322a. or 12A:9-324; or

(2) arose solely under 12A:2-711(3) or 2A-508(5).

Priority of security interests created by new debtor.

12A:9-326. Priority of Security Interests Created by New Debtor.

a. Subordination of security interest created by new debtor. Subject to subsection b. of this section, a security interest created by a new debtor which is perfected by a filed financing statement that is effective solely under 12A:9-508 in collateral in which a new debtor has or acquires rights is subordinate to a security interest in the same collateral which is perfected other than by a filed financing statement that is effective solely under 12A:9-508.

b. Priority under other provisions; multiple original debtors. The other provisions of this part determine the priority among conflicting security interests in the same collateral perfected by filed financing statements that are effective solely under 12A:9-508. However, if the security agreements to which a new debtor became bound as debtor were not entered into by the same original debtor, the conflicting security interests rank according to priority in time of the new debtor's having become bound.

Priority of security interests in deposit account.

12A:9-327. Priority of Security Interests in Deposit Account.

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

a. A security interest held by a secured party having control of the deposit account under 12A:9-104 has priority over a conflicting security interest held by a secured party that does not have control.

b. Except as otherwise provided in subsections c. and d. of this section, security interests perfected by control under 12A:9-314 rank according to priority in time of obtaining control.

c. Except as otherwise provided in subsection d. of this section, a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party.

d. A security interest perfected by control under 12A:9-104a.(3) has priority over a security interest held by the bank with which the deposit account is maintained.

Priority of security interests in investment property.

12A:9-328. Priority of Security Interests in Investment Property.

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

a. A security interest held by a secured party having control of investment property under 12A:9-106 has priority over a security interest held by a secured party that does not have control of the investment property.

b. Except as otherwise provided in sections c. and d. of this section, conflicting security interests held by secured parties each of which has control under 12A:9-106 rank according to priority in time of:

(1) if the collateral is a security, obtaining control;

(2) if the collateral is a security entitlement carried in a securities account and:

(a) if the secured party obtained control under 12A:8-106d.(1), the secured party's becoming the person for which the securities account is maintained;

(b) if the secured party obtained control under 12A:8-106d.(2), the securities intermediary's agreement to comply with the secured party's entitlement orders with respect to security entitlements carried or to be carried in the securities account; or

(c) if the secured party obtained control through another person under 12A:8-106d.(3), the time on which priority would be based under this paragraph if the other person were the secured party; or

(3) if the collateral is a commodity contract carried with a commodity intermediary, the satisfaction of the requirement for control specified in 12A:9-106b.(2) with respect to commodity contracts carried or to be carried with the commodity intermediary.

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

d. A security interest held by a commodity intermediary in a commodity contract or a commodity account maintained with the commodity intermediary has priority over a conflicting security interest held by another secured party.

e. A security interest in a certificated security in registered form which is perfected by taking delivery under 12A:9-313a. and not by control under 12A:9-314 has priority over a conflicting security interest perfected by a method other than control.

f. Conflicting security interests created by a broker, securities intermediary, or commodity intermediary which are perfected without control under 12A:9-106 rank equally.

g. In all other cases, priority among conflicting security interests in investment property is governed by 12A:9-322 and 12A:9-323.

Priority of security interests in letter-of-credit right.

12A:9-329. Priority of Security Interests in Letter-of-Credit Right.

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

a. A security interest held by a secured party having control of the letter-of-credit right under 12A:9-107 has priority to the extent of its control over a conflicting security interest held by a secured party that does not have control.

b. Security interests perfected by control under 12A:9-314 rank according to priority in time of obtaining control.

Priority of purchaser of chattel paper or instrument.

12A:9-330. Priority of Purchaser of Chattel Paper or Instrument.

a. Purchaser's priority: security interest claimed merely as proceeds. A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed merely as proceeds of inventory subject to a security interest if:

(1) in good faith and in the ordinary course of the purchaser's business, the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under 12A:9-105; and

(2) the chattel paper does not indicate that it has been assigned to an identified assignee other



than the purchaser.

b. Purchaser's priority: other security interests. A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed other than merely as proceeds of inventory subject to a security interest if the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under 12A:9-105 in good faith, in the ordinary course of the purchaser's business, and without knowledge that the purchase violates the rights of the secured party.

c. Chattel paper purchaser's priority in proceeds. Except as otherwise provided in 12A:9-327, a purchaser having priority in chattel paper under subsection a. or b. of this section also has priority in proceeds of the chattel paper to the extent that:

(1) 12A:9-322 provides for priority in the proceeds; or

(2) the proceeds consist of the specific goods covered by the chattel paper or cash proceeds of the specific goods, even if the purchaser's security interest in the proceeds is unperfected.

d. Instrument purchaser's priority. Except as otherwise provided in 12A:9-331 subsection a., a purchaser of an instrument has priority over a security interest in the instrument perfected by a method other than possession if the purchaser gives value and takes possession of the instrument in good faith and without knowledge that the purchase violates the rights of the secured party.

e. Holder of purchase-money security interest gives new value. For purposes of subsections a. and b. of this section, the holder of a purchase-money security interest in inventory gives new value for chattel paper constituting proceeds of the inventory.

f. Indication of assignment gives knowledge. For purposes of subsections b. and d. of this section, if chattel paper or an instrument indicates that it has been assigned to an identified secured party other than the purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase violates the rights of the secured party.

Priority of rights of purchasers of instruments, documents, and securities under other chapters; priority of interests in financial assets and security entitlements under Chapter 8.

12A:9-331. Priority of Rights of Purchasers of Instruments, Documents, and Securities Under Other Chapters; Priority of Interests in Financial Assets and Security Entitlements Under Chapter 8.

a. Rights under Chapters 3, 7, and 8 not limited. This chapter does not limit the rights of a holder in due course of a negotiable instrument, a holder to which a negotiable document of title has been duly negotiated, or a protected purchaser of a security. These holders or purchasers take priority over an earlier security interest, even if perfected, to the extent provided in Chapters 3, 7, and 8.

b. Protection under Chapter 8. This chapter does not limit the rights of or impose liability on a person to the extent that the person is protected against the assertion of a claim under Chapter 8.

c. Filing not notice. Filing under this chapter does not constitute notice of a claim or defense to the holders, or purchasers, or persons described in subsections a. and b of this section.

Transfer of money; transfer of funds from deposit account.

12A:9-332. Transfer of Money; Transfer of Funds from Deposit Account.

a. Transferee of money. A transferee of money takes the money free of a security interest unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

b. Transferee of funds from deposit account. A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

Priority of certain liens arising by operation of law.

12A:9-333. Priority of Certain Liens Arising by Operation of Law.

a. "Possessory lien." In this section, "possessory lien" means an interest, other than a security interest or an agricultural lien:

(1) which secures payment or performance of an obligation for services or materials furnished

with respect to goods by a person in the ordinary course of the person's business;

- (2) which is created by statute or rule of law in favor of the person; and
- (3) whose effectiveness depends on the person's possession of the goods.

b. Priority of possessory lien. A possessory lien on goods has priority over a security interest in the goods unless the lien is created by a statute that expressly provides otherwise.

Priority of security interests in fixtures and crops.

12A:9-334. Priority of Security Interests in Fixtures and Crops.

a. Security interest in fixtures under this chapter. A security interest under this chapter may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under this chapter in ordinary building materials incorporated into an improvement on land.

b. Security interest in fixtures under real-property law. This chapter does not prevent creation of an encumbrance upon fixtures under real property law.

c. General rule: subordination of security interest in fixtures. In cases not governed by subsections d. through h. of this section, a security interest in fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the related real property other than the debtor.

d. Fixtures purchase-money priority. Except as otherwise provided in subsection h. of this section, a perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property and:

- (1) the security interest is a purchase-money security interest;
- (2) the interest of the encumbrancer or owner arises before the goods become fixtures; and
- (3) the security interest is perfected by a fixture filing before the goods become fixtures or within 20 days thereafter.

e. Priority of security interest in fixtures over interests in real property. A perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property or a lien on real property obtained by legal or equitable proceedings if:

(1) the debtor has an interest of record in the real property or is in possession of the real property and the security interest:

(a) is perfected by a fixture filing before the interest of the encumbrancer or the owner is of record; and

(b) has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner;

(2) before the goods become fixtures, the security interest is perfected and the fixtures are readily removable:

(a) factory or office machines;

(b) equipment that is not primarily used or leased for use in the operation of the real property; or

(c) replacements of domestic appliances that are consumer goods;

(3) the security interest is:

(a) created in a manufactured home in a manufactured-home transaction; and

(b) perfected pursuant to a statute described in 12A:9-311a.(2).

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

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

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

g. Continuation of paragraph (2) of subsection f. of this section priority. The priority of the security interest under paragraph (2) of subsection f. of this section continues for a reasonable time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

h. Priority of construction mortgage. A mortgage is a construction mortgage to the extent that it secures an obligation incurred for the construction of an improvement on land, including

the acquisition cost of the land, if a recorded record of the mortgage so indicates. Except as otherwise provided in subsections e. and f. of this section, a security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage is recorded before the goods become fixtures and the goods become fixtures before the completion of the construction. A mortgage has this priority to the same extent as a construction mortgage to the extent that it is given to refinance a construction mortgage.

i. Priority of security interest in crops. A perfected security interest in crops growing on real property has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property.

j. Subsection i. prevails. Subsection i. of this section prevails over any inconsistent provisions of state law.

#### Accessions.

##### 12A:9-335. Accessions.

a. Creation of security interest in accession. A security interest may be created in an accession and continues in collateral that becomes an accession.

b. Perfection of security interest. If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the collateral.

c. Priority of security interest. Except as otherwise provided in subsection d. of this section, the other provisions of this part determine the priority of a security interest in an accession.

d. Compliance with certificate-of-title statute. A security interest in an accession is subordinate to a security interest in the whole which is perfected by compliance with the requirements of a certificate-of-title statute under 12A:9-311b.

e. Removal of accession after default. After default, subject to Part 6 of this chapter, a secured party may remove an accession from other goods if the security interest in the accession has priority over the claims of every person having an interest in the whole.

f. Reimbursement following removal. A secured party that removes an accession from other goods under subsection e. of this section shall promptly reimburse any holder of a security interest or other lien on, or owner of, the whole or of the other goods, other than the debtor, for the cost of repair of any physical injury to the whole or the other goods. The secured party need not reimburse the holder or owner for any diminution in value of the whole or the other goods caused by the absence of the accession removed or by any necessity for replacing it. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

#### Commingled goods.

##### 12A:9-336. Commingled Goods.

a. "Commingled goods." In this section, "commingled goods" means goods that are physically united with other goods in such a manner that their identity is lost in a product or mass.

b. No security interest in commingled goods as such. A security interest does not exist in commingled goods as such. However, a security interest may attach to a product or mass that results when goods become commingled goods.

c. Attachment of security interest to product or mass. If collateral becomes commingled goods, a security interest attaches to the product or mass.

d. Perfection of security interest. If a security interest in collateral is perfected before the collateral becomes commingled goods, the security interest that attaches to the product or mass under subsection c. of this section is perfected.

e. Priority of security interest. Except as otherwise provided in subsection f., the other provisions of this part determine the priority of a security interest that attaches to the product or mass under subsection c. of this section.

f. Conflicting security interests in product or mass. If more than one security interest attaches to the product or mass under subsection c. of this section, the following rules determine priority:

(1) A security interest that is perfected under subsection d. has priority over a security

interest that is unperfected at the time the collateral becomes commingled goods.

(2) If more than one security interest is perfected under subsection d., the security interests rank equally in proportion to the value of the collateral at the time it became commingled goods.

Priority of security interests in goods covered by certificate of title.

12A:9-337. Priority of Security Interests in Goods Covered by Certificate of Title.

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

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

b. the security interest is subordinate to a conflicting security interest in the goods that attaches, and is perfected under 12A:9-311b., after issuance of the certificate and without the conflicting secured party's knowledge of the security interest.

Priority of security interest or agricultural lien perfected by filed financing statement providing certain incorrect information.

12A:9-338. Priority of Security Interest or Agricultural Lien Perfected by Filed Financing Statement Providing Certain Incorrect Information.

If a security interest or agricultural lien is perfected by a filed financing statement providing information described in 12A:9-516b.(5) which is incorrect at the time the financing statement is filed:

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

b. a purchaser, other than a secured party, of the collateral takes free of the security interest or agricultural lien to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and, in the case of chattel paper, documents, goods, instruments, or a security certificate, receives delivery of the collateral.

Priority subject to subordination.

12A:9-339. Priority Subject to Subordination.

This chapter does not preclude subordination by agreement by a person entitled to priority.

#### SUBPART 4. RIGHTS OF BANK

Effectiveness of right of recoupment or set-off against deposit account.

12A:9-340. Effectiveness of Right of Recoupment or Set-off Against Deposit Account.

a. Exercise of recoupment or set-off. Except as otherwise provided in subsection c. of this section, a bank with which a deposit account is maintained may exercise any right of recoupment or set-off against a secured party that holds a security interest in the deposit account.

b. Recoupment or set-off not affected by security interest. Except as otherwise provided in subsection c. of this section, the application of this chapter to a security interest in a deposit account does not affect a right of recoupment or set-off of the secured party as to a deposit account maintained with the secured party.

c. When set-off ineffective. The exercise by a bank of a set-off against a deposit account is ineffective against a secured party that holds a security interest in the deposit account which is perfected by control under 12A:9-104(3), if the set-off is based on a claim against the debtor.

Bank's rights and duties with respect to deposit account.

12A:9-341. Bank's Rights and Duties with Respect to Deposit Account.

Except as otherwise provided in 12A:9-340c., and unless the bank otherwise agrees in an authenticated record, a bank's rights and duties with respect to a deposit account maintained with

the bank are not terminated, suspended, or modified by:

- a. the creation, attachment, or perfection of a security interest in the deposit account;
- b. the bank's knowledge of the security interest; or
- c. the bank's receipt of instructions from the secured party.

Bank's right to refuse to enter into or disclose existence of control agreement.

12A:9-342. Bank's Right to Refuse to Enter into or Disclose Existence of Control Agreement.

This chapter does not require a bank to enter into an agreement of the kind described in 12A:9-104a.(2), even if its customer so requests or directs. A bank that has entered into such an agreement is not required to confirm the existence of the agreement to another person unless requested to do so by its customer.

#### PART 4 RIGHTS OF THIRD PARTIES

Alienability of debtor's rights.

12A:9-401. Alienability of Debtor's Rights.

a. Other law governs alienability; exceptions. Except as otherwise provided in subsection b. of this section and 12A:9-406, 12A:9-407, 12A:9-408 and 12A:9-409, whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is governed by law other than this chapter.

b. Agreement does not prevent transfer. An agreement between the debtor and secured party which prohibits a transfer of the debtor's rights in collateral or makes the transfer a default does not prevent the transfer from taking effect.

Secured party not obligated on contract of debtor or in tort.

12A:9-402. Secured Party Not Obligated on Contract of Debtor or in Tort.

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

Agreement not to assert defenses against assignee.

12A:9-403. Agreement Not to Assert Defenses Against Assignee.

a. "Value." In this section, "value" has the meaning provided in 12A:3-303a.

b. Agreement not to assert claim or defense. Except as otherwise provided in this section, an agreement between an account debtor and an assignor not to assert against an assignee any claim or defense that the account debtor may have against the assignor is enforceable by an assignee that takes an assignment:

- (1) for value;
- (2) in good faith;
- (3) without notice of a claim of a property or possessory right to the property assigned; and
- (4) without notice of a defense or claim in recoupment of the type that may be asserted against a person entitled to enforce a negotiable instrument under 12A:3-305a.

c. When subsection b. not applicable. Subsection b. of this section does not apply to defenses of a type that may be asserted against a holder in due course of a negotiable instrument under 12A:3-305b.

d. Omission of required statement in consumer transaction. In a consumer transaction, if a record evidences the account debtor's obligation, law other than this chapter requires that the record include a statement to the effect that the rights of an assignee are subject to claims or defenses that the account debtor could assert against the original obligee, and the record does not include such a statement:

- (1) the record has the same effect as if the record included such a statement; and
- (2) the account debtor may assert against an assignee those claims and defenses that would

have been available if the record included such a statement.

e. Rule for individual under other law. This section is subject to law other than this chapter which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

f. Other law not displaced. Except as otherwise provided in subsection d. of this section, this section does not displace law other than this chapter which gives effect to an agreement by an account debtor not to assert a claim or defense against an assignee.

Rights acquired by assignee; claims and defenses against assignee.

12A:9-404. Rights Acquired by Assignee; Claims and Defenses Against Assignee.

a. Assignee's rights subject to terms, claims, and defenses; exceptions. Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsections b. through e. of this section, the rights of an assignee are subject to:

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

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

b. Account debtor's claim reduces amount owed to assignee. Subject to subsection c. and except as otherwise provided in subsection d. of this section, the claim of an account debtor against an assignor may be asserted against an assignee under subsection a. only to reduce the amount the account debtor owes.

c. Rule for individual under other law. This section is subject to law other than this chapter which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

d. Omission of required statement in consumer transaction. In a consumer transaction, if a record evidences the account debtor's obligation, law other than this chapter requires that the record include a statement to the effect that the account debtor's recovery against an assignee with respect to claims and defenses against the assignor may not exceed amounts paid by the account debtor under the record, and the record does not include such a statement, the extent to which a claim of an account debtor against the assignor may be asserted against an assignee is determined as if the record included such a statement.

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

Modification of assigned contract.

12A:9-405. Modification of Assigned Contract.

a. Effect of modification on assignee. A modification of or substitution for an assigned contract is effective against an assignee if made in good faith. The assignee acquires corresponding rights under the modified or substituted contract. The assignment may provide that the modification or substitution is a breach of contract by the assignor. This subsection is subject to subsections b. through d. of this section

b. Applicability of subsection a. Subsection a. of this section applies to the extent that:

(1) the right to payment or a part thereof under an assigned contract has not been fully earned by performance; or

(2) the right to payment or a part thereof has been fully earned by performance and the account debtor has not received notification of the assignment under 12A:9-406a.

c. Rule for individual under other law. This section is subject to law other than this chapter which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

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

Discharge of account debtor; notification of assignment; identification and proof of assignment; restrictions on assignment of accounts, chattel paper, payment intangibles, and promissory notes

ineffective.

12A:9-406. Discharge of Account Debtor; Notification of Assignment; Identification and Proof of Assignment; Restrictions on Assignment of Accounts, Chattel Paper, Payment Intangibles, and Promissory Notes Ineffective.

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

b. When notification ineffective. Subject to subsection h., notification is ineffective under subsection a. of this section:

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

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

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

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

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

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

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

d. Term restricting assignment generally ineffective. Except as otherwise provided in subsection e. of this section, 12A:2A-303 and 12A:9-407, and subject to subsection h. of this section, a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

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

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

e. Inapplicability of subsection d. to certain sales. Subsection d. of this section does not apply to the sale of a payment intangible or promissory note.

f. Legal restrictions on assignment generally ineffective. Except as otherwise provided in subsection j. of this section, 12A:2A-303 and 12A:9-407 and subject to subsections h. and i. of this section, a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or regulation:

(1) prohibits, restricts, or requires the consent of the government, governmental body or official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in the account or chattel paper; or

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

g. Subsection b. paragraph (3) not waivable. Subject to subsection h., an account debtor

may not waive or vary its option under subsection b.(3) of this section

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

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

j. Section prevails over specified inconsistent law. This section prevails over any inconsistent provisions of State statutes, rules, and regulations, other than R.S.34:15-29 and section 13 of P.L.1970, c.13 (C.5:9-13).

Restrictions on creation or enforcement of security interest in leasehold interest or in lessor's residual interest.

12A:9-407. Restrictions on Creation or Enforcement of Security Interest in Leasehold Interest or in Lessor's Residual Interest.

a. Term restricting assignment generally ineffective. Except as otherwise provided in subsection b. of this section, a term in a lease agreement is ineffective to the extent that it:

(1) prohibits, restricts, or requires the consent of a party to the lease to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, an interest of a party under the lease contract or in the lessor's residual interest in the goods; or

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

b. Effectiveness of certain terms. Except as otherwise provided in 12A:2A-303g., a term described in paragraph (2) of subsection a. of this section is effective to the extent that there is:

(1) a transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term; or

(2) a delegation of a material performance of either party to the lease contract in violation of the term.

c. Security interest not material impairment. The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty of or materially increases the burden or risk imposed on the lessee within the purview of 12A:2A-303d. unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

Restrictions on assignment of promissory notes, health-care-insurance receivables, and certain general intangibles ineffective.

12A:9-408. Restrictions on Assignment of Promissory Notes, Health-care-insurance Receivables, and Certain General Intangibles Ineffective.

a. Term restricting assignment generally ineffective. Except as otherwise provided in subsection b. of this section, a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

(1) would impair the creation, attachment, or perfection of a security interest; or

(2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

b. Applicability of subsection a. to sales of certain rights to payment. Subsection a. of this section applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note.



c. Legal restrictions on assignment generally ineffective. Except as provided in subsection e. of this section, a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or general intangible, including a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute, or regulation:

(1) would impair the creation, attachment, or perfection of a security interest; or

(2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

d. Limitation on ineffectiveness under subsections a. and c. To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or regulation described in subsection c. would be effective under law other than this chapter but is ineffective under subsection a. or c. of this section, the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

(1) is not enforceable against the person obligated on the promissory note or the account debtor;

(2) does not impose a duty or obligation on the person obligated on the promissory note or the account debtor;

(3) does not require the person obligated on the promissory note or the account debtor to recognize the security interest, pay or render performance to the secured party, or accept payment or performance from the secured party;

(4) does not entitle the secured party to use or assign the debtor's rights under the promissory note, health-care-insurance receivable, or general intangible, including any related information or materials furnished to the debtor in the transaction giving rise to the promissory note, health-care-insurance receivable, or general intangible;

(5) does not entitle the secured party to use, assign, possess, or have access to any trade secrets or confidential information of the person obligated on the promissory note or the account debtor; and

(6) does not entitle the secured party to enforce the security interest in the promissory note, health-care-insurance receivable, or general intangible.

e. Section prevails over specified inconsistent law. This section prevails over any inconsistent provisions of State statutes, rules, and regulations, other than R.S.34:15-29 and section 13 of P.L.1970, c.13 (C.5:9-13).

Restrictions on assignment of letter-of-credit rights ineffective.

12A:9-409. Restrictions on Assignment of Letter-of-credit Rights Ineffective.

a. Term or law restricting assignment generally ineffective. A term in a letter of credit or a rule of law, statute, regulation, custom, or practice applicable to the letter of credit which prohibits, restricts, or requires the consent of an applicant, issuer, or nominated person to a beneficiary's assignment of or creation of a security interest in a letter-of-credit right is ineffective to the extent that the term or rule of law, statute, regulation, custom, or practice:

(1) would impair the creation, attachment, or perfection of a security interest in the letter-of-credit right; or

(2) provides that the assignment or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the letter-of-credit right.

b. Limitation on ineffectiveness under subsection a. To the extent that a term in a letter of credit is ineffective under subsection a. but would be effective under law other than this chapter or a custom or practice applicable to the letter of credit, to the transfer of a right to draw or otherwise demand performance under the letter of credit, or to the assignment of a right to proceeds of the letter of credit, the creation, attachment, or perfection of a security interest in

the letter-of-credit right:

(1) is not enforceable against the applicant, issuer, nominated person, or transferee beneficiary;

(2) imposes no duties or obligations on the applicant, issuer, nominated person, or transferee beneficiary; and

(3) does not require the applicant, issuer, nominated person, or transferee beneficiary to recognize the security interest, pay or render performance to the secured party, or accept payment or other performance from the secured party.

## PART 5 FILING

### SUBPART 1. FILING OFFICE; CONTENTS AND EFFECTIVENESS OF FINANCING

### SUBPART 1. FILING OFFICE; CONTENTS AND EFFECTIVENESS OF FINANCING STATEMENT

Filing office.

12A:9-501. Filing Office.

Filing offices. a. Except as otherwise provided in subsection b. of this section, if the local law of this State governs perfection of a security interest or agricultural lien, the office in which to file a financing statement to perfect the security interest or agricultural lien is:

(1) the office designated for the filing or recording of a record of a mortgage on the related real property, if:

(a) the collateral is as-extracted collateral or timber to be cut; or

(b) the financing statement is filed as a fixture filing and the collateral is goods that are or are to become fixtures; or

(2) the Division of Commercial Recording or other office designated by Executive Order, in all other cases, including a case in which the collateral is goods that are or are to become fixtures and the financing statement is not filed as a fixture filing.

b. Filing office for transmitting utilities. The office in which to file a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is the Division of Commercial Recording or other office designated by Executive Order. The financing statement also constitutes a fixture filing as to the collateral indicated in the financing statement which is or is to become fixtures.

Contents of financing statement; record of mortgage as financing statement; time of filing financing statement.

12A:9-502. Contents of Financing Statement; Record of Mortgage as Financing Statement; Time of Filing Financing Statement.

a. Sufficiency of financing statement. Subject to subsection b. of this section, a financing statement is sufficient only if it:

(1) provides the name of the debtor;

(2) provides the name of the secured party or a representative of the secured party; and

(3) indicates the collateral covered by the financing statement.

b. Real-property-related financing statements. Except as otherwise provided in 12A:9-501 b., to be sufficient, a financing statement that covers as-extracted collateral or timber to be cut, or which is filed as a fixture filing and covers goods that are or are to become fixtures, shall satisfy subsection a. of this section and also:

(1) indicate that it covers this type of collateral;

(2) indicate that it is to be filed in the real property records;

(3) provide a description of the real property to which the collateral is related sufficient to identify the real property; and

(4) if the debtor does not have an interest of record in the real property, provide the name

of a record owner.

c. Record of mortgage as financing statement. A record of a mortgage is effective, from the date of recording, as a filed financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut or fixtures only if:

- (1) the record indicates the goods or accounts that it covers;
- (2) the goods are or are to become fixtures related to the real property described in the record or the collateral is related to the real property described in the record and is as-extracted collateral or timber to be cut;
- (3) the record satisfies the requirements for a financing statement in this section other than an indication that it is to be filed in the real property records; and
- (4) the record is recorded.

d. Filing before security agreement or attachment. A financing statement may be filed before a security agreement is made or a security interest otherwise attaches.

Name of debtor and secured party.

12A:9-503. Name of Debtor and Secured Party.

a. Sufficiency of debtor's name. A financing statement sufficiently provides the name of the debtor:

(1) if the debtor is a registered organization, only if the financing statement provides the name of the debtor indicated on the public record of the debtor's jurisdiction of organization which shows the debtor to have been organized;

(2) if the debtor is a decedent's estate, only if the financing statement provides the name of the decedent and indicates that the debtor is an estate;

(3) if the debtor is a trust or a trustee acting with respect to property held in trust, only if the financing statement:

(a) provides the name specified for the trust in its organic documents or, if no name is specified, provides the name of the settlor and additional information sufficient to distinguish the debtor from other trusts having one or more of the same settlors; and

(b) indicates, in the debtor's name or otherwise, that the debtor is a trust or is a trustee acting with respect to property held in trust; and

(4) in other cases:

(a) if the debtor has a name, only if it provides the individual or organizational name of the debtor; and

(b) if the debtor does not have a name, only if it provides the names of the partners, members, associates, or other persons comprising the debtor.

b. Additional debtor-related information. A financing statement that provides the name of the debtor in accordance with subsection a. of this section is not rendered ineffective by the absence of:

(1) a trade name or other name of the debtor; or

(2) unless required under paragraph (4)(b) of subsection a. of this section, names of partners, members, associates, or other persons comprising the debtor.

c. Debtor's trade name insufficient. A financing statement that provides only the debtor's trade name does not sufficiently provide the name of the debtor.

d. Representative capacity. Failure to indicate the representative capacity of a secured party or representative of a secured party does not affect the sufficiency of a financing statement.

e. Multiple debtors and secured parties. A financing statement may provide the name of more than one debtor and the name of more than one secured party.

Name of debtor and secured party.

12A:9-504. Name of Debtor and Secured Party.

A financing statement sufficiently indicates the collateral that it covers if the financing statement provides:

a. a description of the collateral pursuant to 12A:9-108; or

b. an indication that the financing statement covers all assets or all personal property.

Filing and compliance with other statutes and treaties for consignments, leases, other bailments, and other transactions.

12A:9-505. Filing and Compliance with Other Statutes and Treaties for Consignments, Leases, Other Bailments, and Other Transactions.

a. Use of terms other than "debtor" and "secured party." A consignor, lessor, or other bailor of goods, a licensor, or a buyer of a payment intangible or promissory note may file a financing statement, or may comply with a statute or treaty described in 12A:9-311a., using the terms "consignor," "consignee," "lessor," "lessee," "bailor," "bailee," "licensor," "licensee," "owner," "registered owner," "buyer," "seller," or words of similar import, instead of the terms "secured party" and "debtor".

b. Effect of financing statement under subsection a. This part applies to the filing of a financing statement under subsection a. of this section and, as appropriate, to compliance that is equivalent to filing a financing statement under 12A:9-311b., but the filing or compliance is not of itself a factor in determining whether the collateral secures an obligation. If it is determined for another reason that the collateral secures an obligation, a security interest held by the consignor, lessor, bailor, licensor, owner, or buyer which attaches to the collateral is perfected by the filing or compliance.

Effect of errors or omissions.

12A:9-506. Effect of Errors or Omissions.

a. Minor errors and omissions. A financing statement substantially satisfying the requirements of this part is effective, even if it has minor errors or omissions, unless the errors or omissions make the financing statement seriously misleading.

b. Financing statement seriously misleading. Except as otherwise provided in subsection c. of this section, a financing statement that fails sufficiently to provide the name of the debtor in accordance with 12A:9-503a. is seriously misleading.

c. Financing statement not seriously misleading. If a search of the records of the filing office under the debtor's correct name, using the filing office's standard search logic, if any, would disclose a financing statement that fails sufficiently to provide the name of the debtor in accordance with 12A:9-503a., the name provided does not make the financing statement seriously misleading.

d. "Debtor's correct name." For purposes of 12A:9-508b., the "debtor's correct name" in subsection c. of this section means the correct name of the new debtor.

Effect of certain events on effectiveness of financing statement.

12A:9-507. Effect of Certain Events on Effectiveness of Financing Statement.

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

b. Information becoming seriously misleading. Except as otherwise provided in subsection c. of this section and 12A:9-508, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading under 12A:9-506.

c. Change in debtor's name. If a debtor so changes its name that a filed financing statement becomes seriously misleading under 12A:9-506:

(1) the financing statement is effective to perfect a security interest in collateral acquired by the debtor before, or within four months after, the change; and

(2) the financing statement is not effective to perfect a security interest in collateral acquired by the debtor more than four months after the change, unless an amendment to the financing statement which renders the financing statement not seriously misleading is filed within four months after the change.

Effectiveness of financing statement if new debtor becomes bound by security agreement.

12A:9-508. Effectiveness of Financing Statement If New Debtor Becomes Bound by Security Agreement.

a. Financing statement naming original debtor. Except as otherwise provided in this section, a filed financing statement naming an original debtor is effective to perfect a security interest in collateral in which a new debtor has or acquires rights to the extent that the financing statement would have been effective had the original debtor acquired rights in the collateral.

b. Financing statement becoming seriously misleading. If the difference between the name of the original debtor and that of the new debtor causes a filed financing statement that is effective under subsection a. of this section to be seriously misleading under 12A:9-506:

(1) the financing statement is effective to perfect a security interest in collateral acquired by the new debtor before, and within four months after, the new debtor becomes bound under 12A:9-203d.; and

(2) the financing statement is not effective to perfect a security interest in collateral acquired by the new debtor more than four months after the new debtor becomes bound under 12A:9-203d. unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

c. When section not applicable. This section does not apply to collateral as to which a filed financing statement remains effective against the new debtor under 12A:9-507a.

Persons entitled to file a record.

12A:9-509. Persons Entitled to File a Record.

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

(1) the debtor authorizes the filing in an authenticated record; or

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

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

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

(2) property that becomes collateral under 12A:9-315a.(2), whether or not the security agreement expressly covers proceeds.

c. Acquisition of collateral as authorization. By acquiring collateral in which a security interest or agricultural lien continues under 12A:9-315a.(1), a debtor authorizes the filing of an initial financing statement, and an amendment, covering the collateral and property that becomes collateral under 12A:9-315a.(2).

d. Person entitled to file certain amendments. A person may file an amendment other than an amendment that adds collateral covered by a financing statement or an amendment that adds a debtor to a financing statement only if:

(1) the secured party of record authorizes the filing; or

(2) the amendment is a termination statement for a financing statement as to which the secured party of record has failed to file or send a termination statement as required by 12A:9-513a. or c., the debtor authorizes the filing, and the termination statement indicates that the debtor authorized it to be filed.

e. Multiple secured parties of record. If there is more than one secured party of record for a financing statement, each secured party of record may authorize the filing of an amendment under subsection d. of this section.

Effectiveness of filed record.

12A:9-510. Effectiveness of Filed Record.

a. Filed record effective if authorized. A filed record is effective only to the extent that it was filed by a person who may file it under 12A:9-509.

b. Authorization by one secured party of record. A record authorized by one secured party of record does not affect the financing statement with respect to another secured party of record.

c. Continuation statement not timely filed. A continuation statement that is not filed within the six-month period prescribed by 12A:9-515d. is ineffective.

Secured party of record.

12A:9-511. Secured Party of Record.

a. Secured party of record. A secured party of record with respect to a financing statement is a person whose name is provided as the name of the secured party or a representative of the secured party in an initial financing statement that has been filed. If an initial financing statement is filed under 12A:9-514a., the assignee named in the initial financing statement is the secured party of record with respect to the financing statement.

b. Amendment naming secured party of record. If an amendment of a financing statement which provides the name of a person as a secured party or a representative of a secured party is filed, the person named in the amendment is a secured party of record. If an amendment is filed under 12A:9-514b., the assignee named in the amendment is a secured party of record.

c. Amendment deleting secured party of record. A person remains a secured party of record until the filing of an amendment of the financing statement which deletes the person.

Amendment of financing statement.

12A:9-512. Amendment of Financing Statement.

a. Amendment of information in financing statement. Subject to 12A:9-509, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or, subject to subsection e. of this section, otherwise amend the information provided in, a financing statement by filing an amendment that:

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

(2) if the amendment relates to an initial financing statement filed in a filing office described in 12A:9-501 a. (1), provides the information specified in 12A:9-502 b.

b. Period of effectiveness not affected. Except as otherwise provided in 12A:9-515, the filing of an amendment does not extend the period of effectiveness of the financing statement.

c. Effectiveness of amendment adding collateral. A financing statement that is amended by an amendment that adds collateral is effective as to the added collateral only from the date of the filing of the amendment.

d. Effectiveness of amendment adding debtor. A financing statement that is amended by an amendment that adds a debtor is effective as to the added debtor only from the date of the filing of the amendment.

e. Certain amendments ineffective. An amendment is ineffective to the extent it:

(1) purports to delete all debtors and fails to provide the name of a debtor to be covered by the financing statement; or

(2) purports to delete all secured parties of record and fails to provide the name of a new secured party of record.

Termination statement.

12A:9-513. Termination Statement.

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

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

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

b. Time for compliance with subsection a. To comply with subsection a. of this section, a secured party shall cause the secured party of record to file the termination statement:

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

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

c. Other collateral. In cases not governed by subsection a. of this section, within 20 days after a secured party receives an authenticated demand from a debtor, the secured party shall

cause the secured party of record for a financing statement to send to the debtor a termination statement for the financing statement or file the termination statement in the filing office if:

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

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

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

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

d. Effect of filing termination statement. Except as otherwise provided in 12A:9-510, upon the filing of a termination statement with the filing office, the financing statement to which the termination statement relates ceases to be effective.

Assignment of powers of secured party of record.

12A:9-514. Assignment of Powers of Secured Party of Record.

a. Assignment reflected on initial financing statement. Except as otherwise provided in this chapter, an initial financing statement may reflect an assignment of all of the secured party's power to authorize an amendment to the financing statement by providing the name and mailing address of the assignee as the name and address of the secured party.

b. Assignment of filed financing statement. Except as otherwise provided in this chapter, a secured party of record may assign of record all or part of its power to authorize an amendment to a financing statement by filing in the filing office an amendment of the financing statement which:

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

(2) provides the name of the assignor; and

(3) provides the name and mailing address of the assignee.

c. Assignment of record of mortgage. An assignment of record of a security interest in a fixture covered by a record of a mortgage which is effective as a filed financing statement filed as a fixture filing under 12A:9-502 c. may be made only by an assignment of record of the mortgage in the manner provided by law of this State other than the Uniform Commercial Code.

Duration and effectiveness of financing statement; effect of lapsed financing statement.

12A:9-515. Duration and Effectiveness of Financing Statement; Effect of Lapsed Financing Statement.

a. Five-year effectiveness. Except as otherwise provided in subsections b., e., f. and g., a filed financing statement is effective for a period of five years after the date of filing.

b. Public-finance or manufactured-home transaction. Except as otherwise provided in subsections e., f. and g. of this section, an initial financing statement filed in connection with a public-finance transaction or manufactured-home transaction is effective for a period of 30 years after the date of filing if it indicates that it is filed in connection with a public-finance transaction or manufactured-home transaction.

c. Bondable transition property. If a filed financing statement relates to a security interest in bondable transition property and the financing statement so states, it is effective until a termination statement is filed.

d. Lapse and continuation of financing statement. The effectiveness of a filed financing statement lapses on the expiration of the period of its effectiveness unless before the lapse a continuation statement is filed pursuant to subsection e. of this section. Upon lapse, a financing statement ceases to be effective and any security interest or agricultural lien that was perfected by the financing statement becomes unperfected, unless the security interest is perfected otherwise. If the security interest or agricultural lien becomes unperfected upon lapse, it is deemed never to have been perfected as against a purchaser of the collateral for value.

e. When continuation statement may be filed. A continuation statement may be filed only within six months before the expiration of the five-year period specified in subsection a. or the

30-year period specified in subsection b. of this section, whichever is applicable.

f. Effect of filing continuation statement. Except as otherwise provided in 12A:9-510, upon timely filing of a continuation statement, the effectiveness of the initial financing statement continues for a period of five years commencing on the day on which the financing statement would have become ineffective in the absence of the filing. Upon the expiration of the five-year period, the financing statement lapses in the same manner as provided in subsection d., unless, before the lapse, another continuation statement is filed pursuant to subsection e. of this section. Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the initial financing statement.

g. Transmitting utility financing statement. If a debtor is a transmitting utility and a filed financing statement so indicates, the financing statement is effective until a termination statement is filed.

h. Record of mortgage as financing statement. A record of mortgage that is effective as a filed financing statement filed as a fixture filing under 12A:9-502 c. remains effective as a filed financing statement filed as a fixture filing until the mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the real property.

What constitutes filing; effectiveness of filing.

12A:9-516. What Constitutes Filing; Effectiveness of Filing.

a. What constitutes filing. Except as otherwise provided in subsection b. of this section, communication of a record to a filing office and tender of the filing fee or acceptance of the record by the filing office constitutes filing.

b. Refusal to accept record; filing does not occur. Filing does not occur with respect to a record that a filing office refuses to accept because:

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

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

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

(a) in the case of an initial financing statement, the record does not provide a name for the debtor;

(b) in the case of an amendment or correction statement, the record:

(i) does not identify the initial financing statement as required by 12A:9-512 or 12A:9-518, as applicable; or

(ii) identifies an initial financing statement whose effectiveness has lapsed under 12A:9-515;

(c) in the case of an initial financing statement that provides the name of a debtor identified as an individual or an amendment that provides a name of a debtor identified as an individual which was not previously provided in the financing statement to which the record relates, the record does not identify the debtor's last name; or

(d) in the case of a record filed or recorded in the filing office described in 12A:9-501, the record does not provide a sufficient description of the real property to which it relates;

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

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

(a) provide a mailing address for the debtor;

(b) indicate whether the debtor is an individual or an organization; or

(c) if the financing statement indicates that the debtor is an organization, provide:

(i) a type of organization for the debtor;

(ii) a jurisdiction of organization for the debtor; or

(iii) an organizational identification number for the debtor or indicate that the debtor has none;

(6) in the case of an assignment reflected in an initial financing statement under 12A:9-514a. or an amendment filed under 12A:9-514b., the record does not provide a name and mailing



address for the assignee; or

(7) in the case of a continuation statement, the record is not filed within the six-month period prescribed by 12A:9-515e.

c. Rules applicable to subsection b. For purposes of subsection b. of this section:

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

(2) a record that does not indicate that it is an amendment or identify an initial financing statement to which it relates, as required by 12A:9-512, 12A:9-514, or 12A:9-518, is an initial financing statement.

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

Effect of indexing errors.

12A:9-517. Effect of Indexing Errors.

The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

Claim concerning inaccurate or wrongfully filed record.

12A:9-518. Claim Concerning Inaccurate or Wrongfully Filed Record.

a. Correction statement. A person may file in the filing office a correction statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed.

b. Sufficiency of correction statement. A correction statement shall:

(1) identify the record to which it relates by the file number assigned to the initial financing statement to which the record relates;

(2) indicate that it is a correction statement; and

(3) provide the basis for the person's belief that the record is inaccurate and indicate the manner in which the person believes the record should be amended to cure any inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.

c. Record not affected by correction statement. The filing of a correction statement does not affect the effectiveness of an initial financing statement or other filed record.

## SUBPART 2. DUTIES AND OPERATION OF FILING OFFICE

Numbering, maintaining, and indexing records; communicating information provided in records.

12A:9-519. Numbering, Maintaining, and Indexing Records; Communicating Information Provided in Records.

a. Filing office duties. For each record filed in a filing office, the filing office shall:

(1) assign a unique number to the filed record;

(2) create a record that bears the number assigned to the filed record and the date and time of filing;

(3) maintain the filed record for public inspection; and

(4) index the filed record in accordance with subsections c., d., and e. of this section.

b. File number. A file number assigned after January 1, 2002, shall include a digit that:

(1) is mathematically derived from or related to the other digits of the file number; and

(2) aids the filing office in determining whether a number communicated as the file number includes a single-digit or transpositional error.

c. Indexing: general. Except as otherwise provided in subsections d. and e. of this section, the filing office shall:

(1) index an initial financing statement according to the name of the debtor and index all filed records relating to the initial financing statement in a manner that associates with one another an initial financing statement and all filed records relating to the initial financing statement; and

(2) index a record that provides a name of a debtor which was not previously provided in the financing statement to which the record relates also according to the name that was not previously provided.

d. Indexing: real-property-related financing statement. If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office shall index it:

(1) under the names of the debtor and of each owner of record shown on the financing statement as if they were the mortgagors under a mortgage of the real property described; and

(2) to the extent that the law of this State provides for indexing of records or mortgages under the name of the mortgagees, under the name of the secured party as if the secured party were the mortgagee thereunder, or, if the indexing is by description, as if the financing statement were a record of a mortgage of the real property described.

e. Indexing: real-property-related assignment. If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office shall index an assignment filed under 12A:9-514a. or an amendment filed under 12A:9-514b.:

(1) under the name of the assignor as grantor; and

(2) to the extent that the law of this State provides for indexing a record of the assignment of a mortgage under the name of the assignee, under the name of the assignee.

f. Retrieval and association capability. The filing office shall maintain a capability:

(1) to retrieve a record by the name of the debtor and by the file number assigned to the initial financing statement to which the record relates; and

(2) to associate and retrieve with one another an initial financing statement and each filed record relating to the initial financing statement.

g. Removal of debtor's name. The filing office may not remove a debtor's name from the index until one year after the effectiveness of a financing statement naming the debtor lapses under 12A:9-515 with respect to all secured parties of record.

h. Timeliness of filing office performance. The filing office shall perform the acts required by subsections a. through e. of this section at the time and in the manner prescribed by filing-office rule, but not later than two business days after the filing office receives the record in question.

i. Inapplicability to real property related filing office. Subsections b. and h. of this section do not apply to a filing office described in 12A:9-501 a. (1).

#### Acceptance and refusal to accept record.

12A:9-520. Acceptance and Refusal to Accept Record.

a. Mandatory refusal to accept record. A filing office shall refuse to accept a record for filing for a reason set forth in 12A:9-516b. and may refuse to accept a record for filing only for a reason set forth in 12A:9-516b.

b. Communication concerning refusal. If a filing office refuses to accept a record for filing, it shall communicate to the person who presented the record the fact of and reason for the refusal and the date and time the record would have been filed had the filing office accepted it. The communication shall be made at the time and in the manner prescribed by filing-office rule but in no event more than two business days after the filing office receives the record.

c. When filed financing statement effective. A filed financing statement satisfying 12A:9-502a. and b. is effective, even if the filing office is required to refuse to accept it for filing under subsection a. of this section. However, 12A:9-338 applies to a filed financing statement providing information described in 12A:9-516b.(5) which is incorrect at the time the financing statement is filed.

d. Separate application to multiple debtors. If a record communicated to a filing office provides information that relates to more than one debtor, this part applies as to each debtor separately.

#### Uniform form of written financing statement and amendment.

12A:9-521. Uniform Form of Written Financing Statement and Amendment.

a. Initial financing statement form. A filing office that accepts written records may not

refuse to accept a written initial financing statement in the following form and format except for a reason set forth in 12A:9-516b.:



**UCC FINANCING STATEMENT**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
B. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names**

1a. ORGANIZATION'S NAME				
OR				
1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
				<input type="checkbox"/> NONE

**2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names**

2a. ORGANIZATION'S NAME				
OR				
2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
				<input type="checkbox"/> NONE

**3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)**

3a. ORGANIZATION'S NAME				
OR				
3b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
				COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION [if applicable]:	LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC FILING
6. This FINANCING STATEMENT is to be filed [for record] [or recorded] in the REAL ESTATE RECORDS. Attach Addendum	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]
8. OPTIONAL FILER REFERENCE DATA			All Debtors	Debtor 1	Debtor 2	

**UCC FINANCING STATEMENT ADDENDUM**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

**9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT**

9a. ORGANIZATION'S NAME

OR

9b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names**

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

11c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

11d. TAX ID #: SSN OR EIN

ADD'L INFO RE ORGANIZATION DEBTOR

11e. TYPE OF ORGANIZATION

11f. JURISDICTION OF ORGANIZATION

11g. ORGANIZATIONAL ID #, if any

NONE

**12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)**

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

12c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

13. This FINANCING STATEMENT covers  timber to be cut or  as-extracted collateral, or is filed as a  fixture filing.

14. Description of real estate:

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.

Debtor is a  Trust or  Trustee acting with respect to property held in trust or  Decedent's Estate

18. Check only if applicable and check only one box.

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured-Home Transaction -- effective 30 years

Filed in connection with a Public-Finance Transaction -- effective 30 years

b. Amendment form. A filing office that accepts written records may not refuse to accept a written record in the following form and format except for a reason set forth in 12A:9-516b.:



### UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

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B. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE # \_\_\_\_\_

1b. This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS.

2.  **TERMINATION:** Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3.  **CONTINUATION:** Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4.  **ASSIGNMENT (full or partial):** Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5. **AMENDMENT (PARTY INFORMATION):** This Amendment affects  Debtor or  Secured Party of record. Check only one of these two boxes.  
 Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

**CHANGE** name and/or address: Give current record name in item 6a or 6b; also give new name (if name change) in item 7a or 7b and/or new address (if address change) in item 7c.  **DELETE** name: Give record name to be deleted in item 6a or 6b.  **ADD** name: Complete item 7a or 7b, and also item 7c; also complete items 7d-7e (if applicable).

6. **CURRENT RECORD INFORMATION:**

6a. ORGANIZATION'S NAME \_\_\_\_\_

OR

6b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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7. **CHANGED (NEW) OR ADDED INFORMATION:**

7a. ORGANIZATION'S NAME \_\_\_\_\_

OR

7b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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7c. ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
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7d. TAX ID #: SSN OR EIN	ADDL INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION	7g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE
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8. **AMENDMENT (COLLATERAL CHANGE):** check only one box.  
 Describe collateral  deleted or  added, or give entire  restated collateral description, or describe collateral  assigned.

9. **NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT** (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME \_\_\_\_\_

OR

9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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10. **OPTIONAL FILER REFERENCE DATA**

**UCC FINANCING STATEMENT AMENDMENT ADDENDUM**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

11. INITIAL FINANCING STATEMENT FILE # (same as item 1a on Amendment form)

12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9 on Amendment form)

12a. ORGANIZATION'S NAME

OR  
12b. INDIVIDUAL'S LAST NAME      FIRST NAME      MIDDLE NAME, SUFFIX

13. Use this space for additional information

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY



Maintenance and destruction of records.

12A:9-522. Maintenance and Destruction of Records.

a. Post-lapse maintenance and retrieval of information. The filing office shall maintain a record of the information provided in a filed financing statement for at least one year after the effectiveness of the financing statement has lapsed under 12A:9-515 with respect to all secured parties of record. The record shall be retrievable by using the name of the debtor and:

(1) if the record was filed in the filing office described in 12A:9-501 a. (1), by using the file number assigned to the initial financing statement to which the record relates and the date that record was filed; or

(2) if the record was filed in the office described in 12A:9-501 a. (2), by using the file number assigned to the initial financing statement to which the record relates.

b. Destruction of written records. Except to the extent that a statute governing disposition of public records provides otherwise, the filing office immediately may destroy any written record evidencing a financing statement. However, if the filing office destroys a written record, it shall maintain another record of the financing statement which complies with subsection a. of this section.

Information from filing office; sale or license of records.

12A:9-523. Information from Filing Office; Sale or License of Records.

a. Acknowledgment of filing written record. If a person who files a written record requests an acknowledgment of the filing, the filing office shall send to the person an image of the record showing the number assigned to the record pursuant to 12A:9-519a.(1) and the date and time of the filing of the record. However, if the person furnishes a copy of the record to the filing office, the filing office may instead:

(1) note upon the copy the number assigned to the record pursuant to 12A:9-519a.(1) and the date and time of the filing of the record; and

(2) send the copy to the person.

b. Acknowledgment of filing other record. If a person files a record other than a written record, the filing office shall communicate to the person an acknowledgment that provides:

(1) the information in the record;

(2) the number assigned to the record pursuant to 12A:9-519a.(1); and

(3) the date and time of the filing of the record.

c. Communication of requested information. The filing office shall communicate or otherwise make available in a record the following information to any person who requests it:

(1) whether there is on file on a date and time specified by the filing office, but not a date earlier than three business days before the filing office receives the request, any financing statement that:

(a) designates a particular debtor or, if the request so states, designates a particular debtor at the address specified in the request;

(b) has not lapsed under 12A:9-515 with respect to all secured parties of record; and

(c) if the request so states, has lapsed under 12A:9-515 and a record of which is maintained by the filing office under 12A:9-522a.;

(2) the date and time of filing of each financing statement; and

(3) the information provided in each financing statement.

d. Medium for communicating information. In complying with its duty under subsection c. of this section, the filing office may communicate information in any medium. However, if requested, the filing office shall communicate information by issuing its written certificate as a record that can be admitted into evidence in the courts of this State without extrinsic evidence of its authenticity.

e. Timeliness of filing office performance. The filing office shall perform the acts required by subsections a. through d. of this section at the time and in the manner prescribed by filing-office rule, but not later than two business days after the filing office receives the request.

f. Public availability of records. At least weekly, the Secretary of State shall offer to sell

or license to the public on a nonexclusive basis, in bulk, copies of all records filed in it under this part, in every medium from time to time available to the filing office.

Delay by filing office.

12A:9-524. Delay by Filing Office.

Delay by the filing office beyond a time limit prescribed by this part is excused if:

- a. the delay is caused by interruption of communication or computer facilities, war, emergency conditions, failure of equipment, or other circumstances beyond control of the filing office; and
- b. the filing office exercises reasonable diligence under the circumstances.

Fees.

12A:9-525. Fees.

a. Initial financing statement: general rule. The fees for filing and indexing records under this part are:

- (1) \$25 for financing statement;
- (2) \$25 for continuation statement;
- (3) \$25 for amendment statement;
- (4) \$25 for partial release;
- (5) \$25 for assignment;
- (6) \$25 termination statement; and
- (7) \$1 for copy of any filed financing statement.

b. Number of names. The number of names required to be indexed does not affect the amount of the fee in subsection a. of this section

c. Response to information request. The fee for responding to a request for information from the filing office, including for issuing a certificate of search showing whether there is on file any financing statement naming a particular debtor, is \$25.

d. Record of mortgage. This section does not require a fee with respect to a record of mortgage which is effective as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut under 12A:9-502 c. However, the recording and satisfaction fees that otherwise would be applicable to the record of the mortgage apply.

Filing-office rules.

12A:9-526. Filing-Office Rules.

a. Adoption of filing-office rules. The Division of Commercial Recording or other office designated by Executive Order may adopt and publish rules to implement this chapter. The filing-office rules shall be:

- (1) consistent with this chapter; and
- (2) adopted and published in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

b. Harmonization of rules. To keep the filing-office rules and practices of the filing office in harmony with the rules and practices of filing offices in other jurisdictions that enact substantially this part, and to keep the technology used by the filing office compatible with the technology used by filing offices in other jurisdictions that enact substantially this part, the Division of Commercial Recording, so far as is consistent with the purposes, policies, and provisions of this chapter, in adopting, amending, and repealing filing-office rules, shall:

- (1) consult with filing offices in other jurisdictions that enact substantially this part; and
- (2) consult the most recent version of the Model Rules promulgated by the International Association of Corporate Administrators or any successor organization; and
- (3) take into consideration the rules and practices of, and the technology used by, filing offices in other jurisdictions that enact substantially this part.

DEFAULT

SUBPART 1. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

Rights after default; judicial enforcement; consignor or buyer of accounts, chattel paper, payment intangibles, or promissory notes.

12A:9-601. Rights After Default; Judicial Enforcement; Consignor or Buyer of Accounts, Chattel Paper, Payment Intangibles, or Promissory Notes.

a. Rights of secured party after default. After default, a secured party has the rights provided in this part and, except as otherwise provided in 12A:9-602, those provided by agreement of the parties. A secured party:

(1) may reduce a claim to judgment, foreclose, or otherwise enforce the claim, security interest, or agricultural lien by any available judicial procedure; and

(2) if the collateral is documents, may proceed either as to the documents or as to the goods they cover.

b. Rights and duties of secured party in possession or control. A secured party in possession of collateral or control of collateral under 12A:9-104, 12A:9-105, 12A:9-106 or 12A:9-107 has the rights and duties provided in 12A:9-208.

c. Rights cumulative; simultaneous exercise. The rights under subsections a. and b. of this section are cumulative and may be exercised simultaneously.

d. Rights of debtor and obligor. Except as otherwise provided in subsection g. of this section and 12A:9-605, after default, a debtor and an obligor have the rights provided in this part and by agreement of the parties.

e. Lien of levy after judgment. If a secured party has reduced its claim to judgment, the lien of any levy that may be made upon the collateral by virtue of an execution based upon the judgment relates back to the earliest of:

(1) the date of perfection of the security interest or agricultural lien in the collateral;

(2) the date of filing a financing statement covering the collateral; or

(3) any date specified in a statute under which the agricultural lien was created.

f. Execution sale. A sale pursuant to an execution is a foreclosure of the security interest or agricultural lien by judicial procedure within the meaning of this section. A secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of this chapter.

g. Consignor or buyer of certain rights to payment. Except as otherwise provided in 12A:9-607c., this part imposes no duties upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory notes.

Waiver and variance of rights and duties.

12A:9-602. Waiver and Variance of Rights and Duties.

Except as otherwise provided in 12A:9-624, to the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary the rules stated in the following listed sections:

(1) 12A:9-208b.(4)(c), which deals with use and operation of the collateral by the secured party;

(2) 12A:9-211, which deals with requests for an accounting and requests concerning a list of collateral and statement of account;

(3) 12A:9-607c., which deals with collection and enforcement of collateral;

(4) 12A:9-608a., and 12A:9-615c. to the extent that they deal with application or payment of noncash proceeds of collection, enforcement, or disposition;

(5) 12A:9-608a. and 12A:9-615d. to the extent that they require accounting for or payment of surplus proceeds of collateral;

(6) 12A:9-609 to the extent that it imposes upon a secured party that takes possession of collateral without judicial process the duty to do so without breach of the peace;

(7) 12A:9-610b., 12A:9-611, 12A:9-613 and 12A:9-614, which deal with disposition of collateral;

- (8) 12A:9-615f., which deals with calculation of a deficiency or surplus when a disposition is made to the secured party, a person related to the secured party, or a secondary obligor;
- (9) 12A:9-616, which deals with explanation of the calculation of a surplus or deficiency;
- (10) 12A:9-620, 12A:9-621 and 12A:9-622, which deal with acceptance of collateral in satisfaction of obligation;
- (11) 12A:9-623, which deals with redemption of collateral;
- (12) 12A:9-624, which deals with permissible waivers; and
- (13) 12A:9-625 and 12A:9-626, which deal with the secured party's liability for failure to comply with this chapter.

Agreement on standards concerning rights and duties.

12A:9-603. Agreement on Standards Concerning Rights and Duties.

a. Agreed standards. The parties may determine by agreement the standards measuring the fulfillment of the rights of a debtor or obligor and the duties of a secured party under a rule stated in 12A:9-602 if the standards are not manifestly unreasonable.

b. Agreed standards inapplicable to breach of peace. Subsection a. of this section does not apply to the duty under 12A:9-609 to refrain from breaching the peace.

Procedure if security agreement covers real property or fixtures.

12A:9-604. Procedure If Security Agreement Covers Real Property or Fixtures.

a. Enforcement: personal and real property. If a security agreement covers both personal and real property, a secured party may proceed:

(1) under this part as to the personal property without prejudicing any rights with respect to the real property; or

(2) as to both the personal property and the real property in accordance with the rights with respect to the real property, in which case the other provisions of this part do not apply.

b. Enforcement: fixtures. Subject to subsection c. of this section, if a security agreement covers goods that are or become fixtures, a secured party may proceed:

(1) under this part; or

(2) in accordance with the rights with respect to real property, in which case the other provisions of this part do not apply.

c. Removal of fixtures. Subject to the other provisions of this part, if a secured party holding a security interest in fixtures has priority over all owners and encumbrancers of the real property, the secured party, after default, may remove the collateral from the real property.

d. Injury caused by removal. A secured party that removes collateral shall promptly reimburse any encumbrancer or owner of the real property, other than the debtor, for the cost of repair of any physical injury caused by the removal. The secured party need not reimburse the encumbrancer or owner for any diminution in value of the real property caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

Unknown debtor or secondary obligor.

12A:9-605. Unknown Debtor or Secondary Obligor.

A secured party does not owe a duty based on its status as secured party:

a. to a person who is a debtor or obligor, unless the secured party knows:

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

(2) the identity of the person; and

(3) how to communicate with the person; or

b. to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

(1) that the person is a debtor; and

(2) the identity of the person.

Time of default for agricultural lien.

12A:9-606. Time of Default for Agricultural Lien.

For purposes of this part, a default occurs in connection with an agricultural lien at the time the secured party becomes entitled to enforce the lien in accordance with the statute under which it was created.

Collection and enforcement by secured party.

12A:9-607. Collection and Enforcement by Secured Party.

a. Collection and enforcement generally. If so agreed, and in any event after default, a secured party:

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

(2) may take any proceeds to which the secured party is entitled under 12A:9-315;

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

(4) if it holds a security interest in a deposit account perfected by control under 12A:9-104a.(1), may apply the balance of the deposit account to the obligation secured by the deposit account; and

(5) if it holds a security interest in a deposit account perfected by control under 12A:9-104a.(2) or (3), may instruct the bank to pay the balance of the deposit account to or for the benefit of the secured party.

b. Nonjudicial enforcement of mortgage. If necessary to enable a secured party to exercise the right of a debtor to enforce a mortgage nonjudicially under paragraph (3) of subsection a. of this section, the secured party may record in the office in which a record of the mortgage is recorded:

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

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

(a) a default has occurred; and

(b) the secured party is entitled to enforce the mortgage nonjudicially.

c. Commercially reasonable collection and enforcement. A secured party shall proceed in a commercially reasonable manner if the secured party:

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

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

d. Expenses of collection and enforcement. A secured party may deduct from the collections made pursuant to subsection c. of this section, reasonable expenses of collection and enforcement, including reasonable attorney's fees and legal expenses incurred by the secured party.

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

Application of proceeds of collection or enforcement; liability for deficiency and right to surplus.

12A:9-608. Application of Proceeds of Collection or Enforcement; Liability for Deficiency and Right to Surplus.

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

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

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

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

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

(2) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder complies, the secured party need not comply with the holder's demand under subparagraph (c) of paragraph (1) of this subsection.

(3) A secured party need not apply or pay over for application noncash proceeds of collection and enforcement under this section unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(4) A secured party shall account to and pay a debtor for any surplus, and the obligor is liable for any deficiency.

b. No surplus or deficiency in sales of certain rights to payment. If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any deficiency.

#### Secured party's right to take possession after default.

##### 12A:9-609. Secured Party's Right to Take Possession after Default.

a. Possession; rendering equipment unusable; disposition on debtor's premises. After default, a secured party:

(1) may take possession of the collateral; and

(2) without removal, may render equipment unusable and dispose of collateral on a debtor's premises under 12A:9-610.

b. Judicial and nonjudicial process. A secured party may proceed under subsection a.:

(1) pursuant to judicial process; or

(2) without judicial process, if it proceeds without breach of the peace.

c. Assembly of collateral. If so agreed, and in any event after default, a secured party may require the debtor to assemble the collateral and make it available to the secured party at a place to be designated by the secured party which is reasonably convenient to both parties.

#### Disposition of collateral after default.

##### 12A:9-610. Disposition of Collateral after Default.

a. Disposition after default. After default, a secured party may sell, lease, license, or otherwise dispose of any or all of the collateral in its present condition or following any commercially reasonable preparation or processing.

b. Commercially reasonable disposition. Every aspect of a disposition of collateral, including the method, manner, time, place, and other terms, shall be commercially reasonable. If commercially reasonable, a secured party may dispose of collateral by public or private proceedings, by one or more contracts, as a unit or in parcels, and at any time and place and on any terms.

c. Purchase by secured party. A secured party may purchase collateral:

(1) at a public disposition; or

(2) at a private disposition only if the collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations.

d. Warranties on disposition. A contract for sale, lease, license, or other disposition includes the warranties relating to title, possession, quiet enjoyment, and the like which by operation of law accompany a voluntary disposition of property of the kind subject to the contract.

e. Disclaimer of warranties. A secured party may disclaim or modify warranties under subsection d. of this section:

(1) in a manner that would be effective to disclaim or modify the warranties in a voluntary disposition of property of the kind subject to the contract of disposition; or

(2) by communicating to the purchaser a record evidencing the contract for disposition and including an express disclaimer or modification of the warranties.

f. Record sufficient to disclaim warranties. A record is sufficient to disclaim warranties under subsection e. of this section if it indicates "There is no warranty relating to title, possession, quiet enjoyment, or the like in this disposition" or uses words of similar import.

Notification before disposition of collateral.

12A:9-611. Notification Before Disposition of Collateral.

a. "Notification date." In this section, "notification date" means the earlier of the date on which:

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

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

b. Notification of disposition required. Except as otherwise provided in subsection d. of this section, a secured party that disposes of collateral under 12A:9-610 shall send to the persons specified in subsection c. of this section a reasonable authenticated notification of disposition.

c. Persons to be notified. To comply with subsection b. of this section, the secured party shall send an authenticated notification of disposition to:

(1) the debtor;

(2) any secondary obligor; and

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

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

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

(i) identified the collateral;

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

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

(c) any other secured party that, 10 days before the notification date, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in 12A:9-311a.

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

e. Compliance with subsection c. paragraph (3) subparagraph (b). A secured party complies with the requirement for notification prescribed by subsection c. paragraph (3) subparagraph (b) of this section if:

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

(2) before the notification date, the secured party:

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

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

Timeliness of notification before disposition of collateral.

12A:9-612. Timeliness of Notification Before Disposition of Collateral.

a. Reasonable time is question of fact. Except as otherwise provided in subsection b. of this section, whether a notification is sent within a reasonable time is a question of fact.

b. 10-day period sufficient in non-consumer transaction. In a transaction other than a consumer transaction, a notification of disposition sent after default and 10 days or more before the earliest time of disposition set forth in the notification is sent within a reasonable time before the disposition.

Contents and form of notification before disposition of collateral: general.

12A:9-613. Contents and Form of Notification Before Disposition of Collateral: General.

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

a. The contents of a notification of disposition are sufficient if the notification:

- (1) describes the debtor and the secured party;
- (2) describes the collateral that is the subject of the intended disposition;
- (3) states the method of intended disposition;
- (4) states that the debtor is entitled to an accounting of the unpaid indebtedness and states the charge, if any, for an accounting; and

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

b. Whether the contents of a notification that lacks any of the information specified in subsection a. of this section are nevertheless sufficient is a question of fact.

c. The contents of a notification providing substantially the information specified in subsection a. are sufficient, even if the notification includes:

- (1) information not specified by that paragraph; or
- (2) minor errors that are not seriously misleading.

d. A particular phrasing of the notification is not required.

e. The following form of notification and the form appearing in 12A:9-614c., when completed, each provides sufficient information:

NOTIFICATION OF DISPOSITION OF COLLATERAL

To: Name of debtor, obligor, or other person to which the notification is sent

From: (Name, address, and telephone number of secured party)

Name of Debtor(s): (Include only if debtor(s) are not an addressee)

For a public disposition:

We will sell or lease or license, as applicable the (describe collateral) to the highest qualified bidder in public as follows:

Day and Date:

Time:

Place:

For a private disposition:

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

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

End of Form

Contents and form of notification before disposition of collateral: consumer-goods transaction.

12A:9-614. Contents and Form of Notification Before Disposition of Collateral: Consumer-goods Transaction.

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

a. A notification of disposition shall provide the following information:

- (1) the information specified in 12A:9-613a.;



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

(3) a telephone number from which the amount that shall be paid to the secured party to redeem the collateral under 12A:9-623 is available; and

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

b. A particular phrasing of the notification is not required.

c. The following form of notification, when completed, provides sufficient information:  
Name and address of secured party

Date

#### NOTICE OF OUR PLAN TO SELL PROPERTY

Name and address of any obligor who is also a debtor

Subject: Identification of Transaction

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

For a public disposition:

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

Date:

Time:

Place:

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

For a private disposition:

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

The money that we get from the sale after paying our costs will reduce the amount you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

You can get the property back at any time before we sell it by paying us the full amount you owe not just the past due payments, including our expenses. To learn the exact amount you must pay, call us at (telephone number).

If you want us to explain to you in writing how we have figured the amount that you owe us, you may call us at (telephone number) or write us at (secured party's address) and request a written explanation. We will charge you \$ \_\_\_\_\_ for the explanation if we sent you another written explanation of the amount you owe us within the last six months.

If you need more information about the sale call us at (telephone number) or write us at (secured party's address).

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

Names of all other debtors and obligors, if any.

End of Form

d. A notification in the form of subsection c. of this section is sufficient, even if additional information appears at the end of the form.

e. A notification in the form of subsection c. is sufficient, even if it includes errors in information not required by subsection a. of this section, unless the error is misleading with respect to rights arising under this chapter.

f. If a notification under this section is not in the form of subsection c., law other than this chapter determines the effect of including information not required by subsection a. of this section.

Application of proceeds of disposition; liability for deficiency and right to surplus.

12A:9-615. Application of Proceeds of Disposition; Liability for Deficiency and Right to

Surplus.

a. Application of proceeds. A secured party shall apply or pay over for application the cash proceeds of disposition in the following order:

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

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

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

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

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

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

b. Proof of subordinate interest. If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder does so, the secured party need not comply with the holder's demand under paragraph (3) of subsection a. of this section.

c. Application of noncash proceeds. A secured party need not apply or pay over for application noncash proceeds of disposition under this section unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

d. Surplus or deficiency if obligation secured. If the security interest under which a disposition is made secures payment or performance of an obligation, after making the payments and applications required by subsection a. and permitted by subsection c. of this section:

(1) unless paragraph (4) of subsection a. requires the secured party to apply or pay over cash proceeds to a consignor, the secured party shall account to and pay a debtor for any surplus; and

(2) the obligor is liable for any deficiency.

e. No surplus or deficiency in sales of certain rights to payment. If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes:

(1) the debtor is not entitled to any surplus; and

(2) the obligor is not liable for any deficiency.

f. Calculation of surplus or deficiency in disposition to person related to secured party. The surplus or deficiency following a disposition is calculated based on the amount of proceeds that would have been realized in a disposition complying with this part to a transferee other than the secured party, a person related to the secured party, or a secondary obligor if:

(1) the transferee in the disposition is the secured party, a person related to the secured party, or a secondary obligor; and

(2) the amount of proceeds of the disposition is significantly below the range of proceeds that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

g. Cash proceeds received by junior secured party. A secured party that receives cash proceeds of a disposition in good faith and without knowledge that the receipt violates the rights of the holder of a security interest or other lien that is not subordinate to the security interest or agricultural lien under which the disposition is made:

(1) takes the cash proceeds free of the security interest or other lien;

(2) is not obligated to apply the proceeds of the disposition to the satisfaction of obligations secured by the security interest or other lien; and

(3) is not obligated to account to or pay the holder of the security interest or other lien for any surplus.

Explanation of calculation of surplus or deficiency.

12A:9-616. Explanation of Calculation of Surplus or Deficiency.

a. Definitions. In this section:

(1) "Explanation" means a writing that:

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

(b) provides an explanation, in accordance with subsection c. of this section of how the secured party calculated the surplus or deficiency;

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

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

(2) "Request" means a record:

(a) authenticated by a debtor or consumer obligor;

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

(c) sent after disposition of the collateral under 12A:9-610.

b. Explanation of calculation. In a consumer-goods transaction in which the debtor is entitled to a surplus or a consumer obligor is liable for a deficiency under 12A:9-615, the secured party shall:

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

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

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

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

c. Required information. To comply with subsection a. paragraph (1) subparagraph (b), a writing shall provide the following information in the following order:

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

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

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

(2) the amount of proceeds of the disposition;

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

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

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

(6) the amount of the surplus or deficiency.

d. Substantial compliance. A particular phrasing of the explanation is not required. An explanation complying substantially with the requirements of subsection a. of this section is sufficient, even if it includes minor errors that are not seriously misleading.

e. Charges for responses. A debtor or consumer obligor is entitled without charge to one response to a request under this section during any six-month period in which the secured

party did not send to the debtor or consumer obligor an explanation pursuant to paragraph (1) of subsection b. The secured party may require payment of a charge not exceeding \$25 for each additional response.

Rights of transferee of collateral.

12A:9-617. Rights of Transferee of Collateral.

a. Effects of disposition. A secured party's disposition of collateral after default:

- (1) transfers to a transferee for value all of the debtor's rights in the collateral;
- (2) discharges the security interest under which the disposition is made; and
- (3) discharges any subordinate security interest or other subordinate lien.

b. Rights of good-faith transferee. A transferee that acts in good faith takes free of the rights and interests described in subsection a. of this section, even if the secured party fails to comply with this chapter or the requirements of any judicial proceeding.

c. Rights of other transferee. If a transferee does not take free of the rights and interests described in subsection a. of this section, the transferee takes the collateral subject to:

- (1) the debtor's rights in the collateral;
- (2) the security interest or agricultural lien under which the disposition is made; and
- (3) any other security interest or other lien.

Rights and duties of certain secondary obligors.

12A:9-618. Rights and Duties of Certain Secondary Obligors.

a. Rights and duties of secondary obligor. A secondary obligor acquires the rights and becomes obligated to perform the duties of the secured party after the secondary obligor:

- (1) receives an assignment of a secured obligation from the secured party;
- (2) receives a transfer of collateral from the secured party and agrees to accept the rights and assume the duties of the secured party; or
- (3) is subrogated to the rights of a secured party with respect to collateral.

b. Effect of assignment, transfer, or subrogation. An assignment, transfer, or subrogation described in subsection a. of this section:

- (1) is not a disposition of collateral under 12A:9-610; and
- (2) relieves the secured party of further duties under this chapter.

Transfer of record or legal title.

12A:9-619. Transfer of Record or Legal Title.

a. "Transfer statement." In this section, "transfer statement" means a record authenticated by a secured party stating:

- (1) that the debtor has defaulted in connection with an obligation secured by specified collateral;
- (2) that the secured party has exercised its post-default remedies with respect to the collateral;
- (3) that, by reason of the exercise, a transferee has acquired the rights of the debtor in the collateral; and
- (4) the name and mailing address of the secured party, debtor, and transferee.

b. Effect of transfer statement. A transfer statement entitles the transferee to the transfer of record of all rights of the debtor in the collateral specified in the statement in any official filing, recording, registration, or certificate-of-title system covering the collateral. If a transfer statement is presented with the applicable fee and request form to the official or office responsible for maintaining the system, the official or office shall:

- (1) accept the transfer statement;
- (2) promptly amend its records to reflect the transfer; and
- (3) if applicable, issue a new appropriate certificate of title in the name of the transferee.

c. Transfer not a disposition; no relief of secured party's duties. A transfer of the record or legal title to collateral to a secured party under subsection b. of this section or otherwise is not of itself a disposition of collateral under this chapter and does not of itself relieve the secured party of its duties under this chapter.

Acceptance of collateral in full or partial satisfaction of obligation; compulsory disposition of collateral.

12A:9-620. Acceptance of Collateral in Full or Partial Satisfaction of Obligation; Compulsory Disposition of Collateral.

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

(1) the debtor consents to the acceptance under subsection c. of this section;

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

(a) a person to which the secured party was required to send a proposal under 12A:9-621; or

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

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

(4) subsection e. of this section does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to 12A:9-624.

b. Purported acceptance ineffective. A purported or apparent acceptance of collateral under this section is ineffective unless:

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

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

c. Debtor's consent. For purposes of this section:

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

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

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

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

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

d. Effectiveness of notification. To be effective under paragraph (2) of subsection a. of this section, a notification of objection shall be received by the secured party:

(1) in the case of a person to which the proposal was sent pursuant to 12A:9-621, within 20 days after notification was sent to that person; and

(2) in other cases:

(a) within 20 days after the last notification was sent pursuant to 12A:9-621; or

(b) if a notification was not sent, before the debtor consents to the acceptance under subsection c. of this section.

e. Mandatory disposition of consumer goods. A secured party that has taken possession of collateral shall dispose of the collateral pursuant to 12A:9-610 within the time specified in subsection f. of this section if:

(1) 60 percent of the cash price has been paid in the case of a purchase-money security interest in consumer goods; or

(2) 60 percent of the principal amount of the obligation secured has been paid in the case of a non-purchase-money security interest in consumer goods.

f. Compliance with mandatory disposition requirement. To comply with subsection e. of this section, the secured party shall dispose of the collateral:

(1) within 90 days after taking possession; or

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

g. No partial satisfaction in consumer transaction. In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

Notification of proposal to accept collateral.

12A:9-621. Notification of Proposal to Accept Collateral.

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

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

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

(a) identified the collateral;

(b) was indexed under the debtor's name as of that date; and

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

(3) any other secured party that, 10 days before the debtor consented to the acceptance, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in 12A:9-311a.

b. Proposal to be sent to secondary obligor in partial satisfaction. A secured party that desires to accept collateral in partial satisfaction of the obligation it secures shall send its proposal to any secondary obligor in addition to the persons described in subsection a. of this section.

Effect of acceptance of collateral.

12A:9-622. Effect of Acceptance of Collateral.

a. Effect of acceptance. A secured party's acceptance of collateral in full or partial satisfaction of the obligation it secures:

(1) discharges the obligation to the extent consented to by the debtor;

(2) transfers to the secured party all of a debtor's rights in the collateral;

(3) discharges the security interest or agricultural lien that is the subject of the debtor's consent and any subordinate security interest or other subordinate lien; and

(4) terminates any other subordinate interest.

b. Discharge of subordinate interest notwithstanding noncompliance. A subordinate interest is discharged or terminated under subsection a. of this section, even if the secured party fails to comply with this chapter.

Right to redeem collateral.

12A:9-623. Right to Redeem Collateral.

a. Persons that may redeem. A debtor, any secondary obligor, or any other secured party or lienholder may redeem collateral.

b. Requirements for redemption. To redeem collateral, a person shall tender:

(1) fulfillment of all obligations secured by the collateral; and

(2) the reasonable expenses and attorney's fees described in 12A:9-615a.(1).

c. When redemption may occur. A redemption may occur at any time before a secured party:

(1) has collected collateral under 12A:9-607;

(2) has disposed of collateral or entered into a contract for its disposition under 12A:9-610; or

(3) has accepted collateral in full or partial satisfaction of the obligation it secures under 12A:9-622.

Waiver.

12A:9-624. Waiver.

a. Waiver of disposition notification. A debtor or secondary obligor may waive the right to notification of disposition of collateral under 12A:9-611 only by an agreement to that effect

entered into and authenticated after default.

b. Waiver of mandatory disposition. A debtor may waive the right to require disposition of collateral under 12A:9-620e. only by an agreement to that effect entered into and authenticated after default.

c. Waiver of redemption right. Except in a consumer-goods transaction, a debtor or secondary obligor may waive the right to redeem collateral under 12A:9-623 only by an agreement to that effect entered into and authenticated after default.

## SUBPART 2. NONCOMPLIANCE WITH Chapter

Remedies for secured party's failure to comply with chapter.

12A:9-625. Remedies for Secured Party's Failure to Comply with Chapter.

a. Judicial orders concerning noncompliance. If it is established that a secured party is not proceeding in accordance with this chapter, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

b. Damages for noncompliance. Subject to subsections c., d. and f. of this section, a person is liable for damages in the amount of any loss caused by a failure to comply with this chapter. Loss caused by a failure to comply with a request under 12A:9-211 may include loss resulting from the debtor's inability to obtain, or increased costs of, alternative financing.

c. Persons entitled to recover damages; statutory damages in consumer-goods transaction. Except as otherwise provided in 12A:9-628:

(1) a person who, at the time of the failure, was a debtor, was an obligor, or held a security interest in or other lien on the collateral may recover damages under subsection b. of this section for its loss; and

(2) if the collateral is consumer goods, a person who was a debtor or a secondary obligor at the time a secured party failed to comply with this part may recover for that failure in any event an amount not less than the credit service charge plus 10 percent of the principal amount of the obligation or the time-price differential plus 10 percent of the cash price.

d. Recovery when deficiency eliminated or reduced. A debtor whose deficiency is eliminated under 12A:9-626 may recover damages for the loss of any surplus. However, a debtor or secondary obligor whose deficiency is eliminated or reduced under 12A:9-626 may not otherwise recover under subsection b. of this section for noncompliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

e. Statutory damages: noncompliance with specified provisions. In addition to any damages recoverable under subsection b. of this section, the debtor, consumer obligor, or person named as a debtor in a filed record, as applicable, may recover \$500 in each case from a person who:

(1) fails to comply with 12A:9-208;

(2) fails to comply with 12A:9-209;

(3) fails to comply with 12A:9-210;

(4) files a record that the person is not entitled to file under 12A:9-509a.;

(5) fails to cause the secured party of record to file or send a termination statement as required by 12A:9-513a. or c.;

(6) fails to comply with 12A:9-616b.(1) and whose failure is part of a pattern, or consistent with a practice, of noncompliance; or

(7) fails to comply with 12A:9-616b.(2).

f. Statutory damages: noncompliance with 12A:9-211. A debtor or consumer obligor may recover damages under subsection b. of this section and, in addition, \$500 in each case from a person who, without reasonable cause, fails to comply with a request under 12A:9-211. A recipient of a request under 12A:9-211 which never claimed an interest in the collateral or obligations that are the subject of a request under that section has a reasonable excuse for failure to comply with the request within the meaning of this subsection.

g. Limitation of security interest: noncompliance with 12A:9-211. If a secured party fails to comply with a request regarding a list of collateral or a statement of account under 12A:9-211, the secured party may claim a security interest only as shown in the statement included in the request as against a person who is reasonably misled by the failure.

Action in which deficiency or surplus is in issue.

12A:9-626. Action in Which Deficiency or Surplus Is in Issue.

a. Applicable rules if amount of deficiency or surplus in issue. In an action arising from a transaction in which the amount of a deficiency or surplus is in issue, the following rules apply:

(1) A secured party need not prove compliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance unless the debtor or a secondary obligor places the secured party's compliance in issue.

(2) If the secured party's compliance is placed in issue, the secured party has the burden of establishing that the collection, enforcement, disposition, or acceptance was conducted in accordance with this part.

(3) Except as otherwise provided in 12A:9-628, if a secured party fails to prove that the collection, enforcement, disposition, or acceptance was conducted in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance, the liability of a debtor or a secondary obligor for a deficiency is limited to an amount by which the sum of the secured obligation, expenses, and attorney's fees exceeds the greater of:

(a) the proceeds of the collection, enforcement, disposition, or acceptance; or

(b) the amount of proceeds that would have been realized had the noncomplying secured party proceeded in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(4) For purposes of subparagraph (b) of paragraph (3) of this section, the amount of proceeds that would have been realized is equal to the sum of the secured obligation, expenses, and attorney's fees unless the secured party proves that the amount is less than that sum.

(5) If a deficiency or surplus is calculated under 12A:9-615f., the debtor or obligor has the burden of establishing that the amount of proceeds of the disposition is significantly below the range of prices that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

Determination of whether conduct was commercially reasonable.

12A:9-627. Determination of Whether Conduct Was Commercially Reasonable.

a. Greater amount obtainable under other circumstances; no preclusion of commercial reasonableness. The fact that a greater amount could have been obtained by a collection, enforcement, disposition, or acceptance at a different time or in a different method from that selected by the secured party is not of itself sufficient to preclude the secured party from establishing that the collection, enforcement, disposition, or acceptance was made in a commercially reasonable manner.

b. Dispositions that are commercially reasonable. A disposition of collateral is made in a commercially reasonable manner if the disposition is made:

(1) in the usual manner on any recognized market;

(2) at the price current in any recognized market at the time of the disposition; or

(3) otherwise in conformity with reasonable commercial practices among dealers in the type of property that was the subject of the disposition.

c. Approval by court or on behalf of creditors. A collection, enforcement, disposition, or acceptance is commercially reasonable if it has been approved:

(1) in a judicial proceeding;

(2) by a bona fide creditors' committee;

(3) by a representative of creditors; or

(4) by an assignee for the benefit of creditors.

d. Approval under subsection c. not necessary; absence of approval has no effect. Approval under subsection c. of this section need not be obtained, and lack of approval does not mean that the collection, enforcement, disposition, or acceptance is not commercially reasonable.

Nonliability and limitation on liability of secured party; liability of secondary obligor.

12A:9-628. Nonliability and Limitation on Liability of Secured Party; Liability of



Secondary Obligor.

a. Limitation of liability of secured party for noncompliance with chapter. Unless a secured party knows that a person is a debtor or obligor, knows the identity of the person, and knows how to communicate with the person:

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

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

b. Limitation of liability based on status as secured party. A secured party is not liable because of its status as secured party:

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

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

(b) the identity of the person; and

(c) how to communicate with the person; or

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

(a) that the person is a debtor; and

(b) the identity of the person.

c. Limitation of liability if reasonable belief that transaction not a consumer-goods transaction or consumer transaction. A secured party is not liable to any person, and a person's liability for a deficiency is not affected, because of any act or omission arising out of the secured party's reasonable belief that a transaction is not a consumer-goods transaction or a consumer transaction or that goods are not consumer goods, if the secured party's belief is based on its reasonable reliance on:

(1) a debtor's representation concerning the purpose for which collateral was to be used, acquired, or held; or

(2) an obligor's representation concerning the purpose for which a secured obligation was incurred.

d. Limitation of liability for statutory damages. A secured party is not liable to any person under 12A:9-625c.(2) for its failure to comply with 12A:9-616.

e. Limitation of multiple liability for statutory damages. A secured party is not liable under 12A:9-625c.(2) more than once with respect to any one secured obligation.

PART 7  
TRANSITION

Effective date.

12A:9-701. Effective Date.

This chapter shall take effect on July 1, 2001.

Savings clause.

12A:9-702. Savings Clause.

a. Pre-effective-date transactions or liens. Except as otherwise provided in this part, this chapter applies to a transaction or lien within its scope, even if the transaction or lien was entered into or created before this chapter takes effect.

b. Continuing validity. Except as otherwise provided in subsection c. of this section and 12A:9-703 through 12A:9-708:

(1) transactions and liens that were not governed by former Chapter 9, were validly entered into or created before this chapter takes effect, and would be subject to this chapter if they had been entered into or created after this chapter takes effect, and the rights, duties, and interests flowing from those transactions and liens remain valid after this chapter takes effect; and

(2) the transactions and liens may be terminated, completed, consummated, and enforced as required or permitted by this chapter or by the law that otherwise would apply if this chapter had not taken effect.

c. Pre-effective-date proceedings. This chapter does not affect an action, case, or

proceeding commenced before this chapter takes effect.

Security interest perfected before effective date.

12A:9-703. Security Interest Perfected Before Effective Date.

a. Continuing priority over lien creditor: perfection requirements satisfied. A security interest that is enforceable immediately before this chapter takes effect and would have priority over the rights of a person who becomes a lien creditor at that time is a perfected security interest under this chapter if, when this chapter takes effect, the applicable requirements for enforceability and perfection under this chapter are satisfied without further action.

b. Continuing priority over lien creditor: perfection requirements not satisfied. Except as otherwise provided in 12A:9-705, if, immediately before this chapter takes effect, a security interest is enforceable and would have priority over the rights of a person who becomes a lien creditor at that time, but the applicable requirements for enforceability or perfection under this chapter are not satisfied when this chapter takes effect, the security interest:

- (1) is a perfected security interest for one year after this chapter takes effect;
- (2) remains enforceable thereafter only if the security interest becomes enforceable under 12A:9-203 before the year expires; and
- (3) remains perfected thereafter only if the applicable requirements for perfection under this chapter are satisfied before the year expires.

Security interest unperfected before effective date.

12A:9-704. Security Interest Unperfected Before Effective Date.

A security interest that is enforceable immediately before this chapter takes effect but which would be subordinate to the rights of a person who becomes a lien creditor at that time:

- a. remains an enforceable security interest for one year after this chapter takes effect;
- b. remains enforceable thereafter if the security interest becomes enforceable under 12A:9-203 when this chapter takes effect or within one year thereafter; and
- c. becomes perfected:
  - (1) without further action, when this chapter takes effect if the applicable requirements for perfection under this chapter are satisfied before or at that time; or
  - (2) when the applicable requirements for perfection are satisfied if the requirements are satisfied after that time.

Effectiveness of action taken before effective date.

12A:9-705. Effectiveness of Action Taken Before Effective Date.

a. Pre-effective-date action; one-year perfection period unless reperfected. If action, other than the filing of a financing statement, is taken before this chapter takes effect and the action would have resulted in priority of a security interest over the rights of a person who becomes a lien creditor had the security interest become enforceable before this chapter takes effect, the action is effective to perfect a security interest that attaches under this chapter within one year after this chapter takes effect. An attached security interest becomes unperfected one year after this chapter takes effect unless the security interest becomes a perfected security interest under this chapter before the expiration of that period.

b. Pre-effective-date filing. The filing of a financing statement before this chapter takes effect is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under this chapter.

c. Pre-effective-date filing in jurisdiction formerly governing perfection. This chapter does not render ineffective an effective financing statement that, before this chapter takes effect, is filed and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in former 12A:9-103. However, except as otherwise provided in subsections d. and e. of this section and 12A:9-706, the financing statement ceases to be effective at the earlier of:

- (1) the time the financing statement would have ceased to be effective under the law of the jurisdiction in which it is filed; or

(2) June 30, 2006.

d. Continuation statement. The filing of a continuation statement after this chapter takes effect does not continue the effectiveness of the financing statement filed before this chapter takes effect. However, upon the timely filing of a continuation statement after this chapter takes effect and in accordance with the law of the jurisdiction governing perfection as provided in Part 3, the effectiveness of a financing statement filed in the same office in that jurisdiction before this chapter takes effect continues for the period provided by the law of that jurisdiction.

e. Application of of subsection c. paragraph (2) to transmitting utility financing statement. Subsection c. paragraph (2) of this section applies to a financing statement that, before this chapter takes effect, is filed against a transmitting utility and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in former 12A:9-103 only to the extent that Part 3 provides that the law of a jurisdiction other than the jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

f. Application of Part 5. A financing statement that includes a financing statement filed before this chapter takes effect and a continuation statement filed after this chapter takes effect is effective only to the extent that it satisfies the requirements of Part 5 for an initial financing statement.

When initial financing statement suffices to continue effectiveness of financing statement.

12A:9-706. When Initial Financing Statement Suffices to Continue Effectiveness of Financing Statement.

a. Initial financing statement in lieu of continuation statement. The filing of an initial financing statement in the office specified in 12A:9-501 continues the effectiveness of a financing statement filed before this chapter takes effect if:

(1) the filing of an initial financing statement in that office would be effective to perfect a security interest under this chapter;

(2) the pre-effective-date financing statement was filed in an office in another state or another office in this State; and

(3) the initial financing statement satisfies subsection c. of this section.

b. Period of continued effectiveness. The filing of an initial financing statement under subsection a. of this section continues the effectiveness of the pre-effective-date financing statement:

(1) if the initial financing statement is filed before this chapter takes effect, for the period provided in former 12A:9-403 with respect to a financing statement; and

(2) if the initial financing statement is filed after this chapter takes effect, for the period provided in 12A:9-515 with respect to an initial financing statement.

c. Requirements for initial financing statement under subsection a. To be effective for purposes of subsection a. of this section, an initial financing statement shall:

(1) satisfy the requirements of Part 5 for an initial financing statement;

(2) identify the pre-effective-date financing statement by indicating the office in which the financing statement was filed and providing the dates of filing and file numbers, if any, of the financing statement and of the most recent continuation statement filed with respect to the financing statement; and

(3) indicate that the pre-effective-date financing statement remains effective.

Persons entitled to file initial financing statement or continuation statement.

12A:9-707. Persons Entitled to File Initial Financing Statement or Continuation Statement.

A person may file an initial financing statement or a continuation statement under this part if:

a. the secured party of record authorizes the filing; and

b. the filing is necessary under this part:

(1) to continue the effectiveness of a financing statement filed before this chapter takes effect; or

- (2) to perfect or continue the perfection of a security interest.

Priority.

12A:9-708. Priority.

a. Law governing priority. This chapter determines the priority of conflicting claims to collateral. However, if the relative priorities of the claims were established before this chapter takes effect, former Chapter 9 determines priority.

b. Priority if security interest becomes enforceable under 12A:9-203. For purposes of 12A:9-322a., the priority of a security interest that becomes enforceable under 12A:9-203 dates from the time this chapter takes effect if the security interest is perfected under this chapter by the filing of a financing statement before this chapter takes effect which would not have been effective to perfect the security interest under former Chapter 9. This subsection does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement.

2. N.J.S.12A:1-105 is amended to read as follows:

Territorial application of the act; parties' power to choose applicable law.

12A:1-105. Territorial application of the act; parties' power to choose applicable law.

(1) Except as provided hereafter in this section, when a transaction bears a reasonable relation to this State and also to another state or nation the parties may agree that the law either of this State or of such other state or nation shall govern their rights and duties. Failing such agreement this act applies to transactions bearing an appropriate relation to this State.

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

Rights of seller's creditors against sold goods. 12A:2-402.

Applicability of the Chapter on Leases. 12A:2A-105 and 12A:2A-106.

Applicability of the Chapter on Bank Deposits and Collections. 12A:4-102.

Governing law in the Chapter on Funds Transfers. 12A:4A-507.

Governing law in the chapter on Letters of Credit. 12A:5-116.

Applicability of the Chapter on Investment Securities. 12A:8-110.

Law governing perfection, the effect of perfection or nonperfection, and the priority of security interests and agricultural liens. 12A:9-301 through 12A:9-307.

3. N.J.S.12A:1-201 is amended to read as follows:

General definitions.

12A:1-201. General definitions.

Subject to additional definitions contained in the subsequent chapters of this act which are applicable to specific chapters or subchapters thereof, and unless the context otherwise requires, in this act:

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

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

(3) "Agreement" means the bargain of the parties in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in this act (12A:1-205 and 2-208). Whether an agreement has legal consequences is determined by the provisions in this act, if applicable; otherwise by the law of contracts (12A:1-103). (Compare "Contract.")

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

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

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

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

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

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

(9) "Buyer in ordinary course of business" means a person who buys goods in good faith, without knowledge that the sale violates the rights of another person in the goods, and in ordinary course from a person, other than a pawnbroker, in the business of selling goods of that kind. A person buys goods in ordinary course if the sale to the person comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller's own usual or customary practices. A person who sells oil, gas or other minerals at the wellhead or minehead is a person in the business of selling goods of that kind. A buyer in ordinary course of business may buy for cash, by exchange of other property or on secured or unsecured credit, and may acquire goods or documents of title under a pre-existing contract for sale. Only a buyer that takes possession of the goods or has a right to recover the goods from the seller under Chapter 2 may be a buyer in ordinary course of business. A person who acquires goods in a transfer in bulk or as security for or in total or partial satisfaction of a money debt is not a buyer in ordinary course of business.

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

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

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

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

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

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

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

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

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

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

(20) "Holder," with respect to a negotiable instrument, means the person in possession if the instrument is payable to bearer or, in the case of an instrument payable to an identified person, if the identified person is in possession. "Holder" with respect to a document of title means the person in possession if the goods are deliverable to bearer or to the order of the person in possession.

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

(22) "Insolvency proceedings" includes any assignment for the benefit of creditors or other

proceedings intended to liquidate or rehabilitate the estate of the person involved.

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

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

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

(a) The person has actual knowledge of it; or

(b) The person has received a notice or notification of it; or

(c) From all the facts and circumstances known to the person at the time in question the person has reason to know that it exists.

A person "knows" or has "knowledge" of a fact when the person has actual knowledge of it. "Discover" or "learn" or a word or phrase of similar import refers to knowledge rather than to reason to know. The time and circumstances under which a notice or notification may cease to be effective are not determined by this act.

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

(a) It comes to the person's attention; or

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

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

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

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

(30) "Person" includes an individual or an organization (See 12A:1-102).

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

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

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

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

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

(36) "Rights" includes remedies.

(37) "Security interest" means an interest in personal property or fixtures which secures payment or performance of an obligation. The term also includes any interest of a consignor and a buyer of accounts, chattel paper, a payment intangible, or a promissory note in a transaction that is subject to Chapter 9. The special property interest of a buyer of goods on identification of those goods to a contract for sale under 12A:2-401 is not a "security

interest," but a buyer may also acquire a "security interest" by complying with Chapter 9. Except as otherwise provided in 12A:2-505, the right of a seller or lessor of goods under Chapter 2 or 2A to retain or acquire possession of the goods is not a "security interest," but a seller or lessor may also acquire a "security interest" by complying with Chapter 9. The retention or reservation of title by a seller of goods notwithstanding shipment or delivery to the buyer (12A:2-401) is limited in effect to a reservation of a "security interest." Whether a lease is intended as security is to be determined by the facts of each case; however, (a) the inclusion of an option to purchase does not of itself make the lease one intended for security, and (b) an agreement that upon compliance with the terms of the lease the lessee shall become or has the option to become the owner of the property for no additional consideration or for a nominal consideration does make the lease one intended for security.

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

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

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

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

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

A transaction does not create a security interest merely because it provides that

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

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

(c) the lessee has an option to renew the lease or to become the owner of the goods,

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

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

For purposes of this subsection (37):

Additional consideration is not nominal if (i) when the option to renew the lease is granted to the lessee the rent is stated to be the fair market rent for the use of the goods for the term of the renewal determined at the time the option is to be performed, or (ii) when the option to become the owner of the goods is granted to the lessee the option to become the owner of the goods is granted to the lessee the price is stated to be the fair market value of the goods determined at the time the option is to be performed. Additional consideration is nominal if it is less than the lessee's reasonably predictable cost of performing under the lease agreement if the option is not exercised;

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

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

(38) "Send" in connection with any writing or notice means to deposit in the mail or deliver for transmission by any other usual means of communication with postage or cost of transmission provided for and properly addressed and in the case of an instrument to an

address specified thereon or otherwise agreed, or if there be none to any address reasonable under the circumstances. The receipt of any writing or notice within the time at which it would have arrived if properly sent has the effect of a proper sending.

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

(40) "Surety" includes guarantor.

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

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

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

(44) "Value." Except as otherwise provided with respect to negotiable instruments and bank collections (12A:3-303, 12A:4-210 and 12A:4-211), a person gives "value" for rights if the person acquires them:

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

(b) As security for or in total or partial satisfaction of a pre-existing claim; or

(c) By accepting delivery pursuant to a pre-existing contract for purchase; or

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

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

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

4. N.J.S.12A:1-206 is amended to read as follows:

Statute of frauds for kinds of personal property not otherwise covered.

12A:1-206. Statute of Frauds for Kinds of Personal Property Not Otherwise Covered.

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

(2) Subsection (1) of this section does not apply to contracts for the sale of goods (12A:2-201) nor of securities (12A:8-113) nor to security agreements (12A:9-201).

(cf: P.L.1997, c.252, s.17)

5. N.J.S.12A:2-103 is amended to read as follows:

Definitions and index of definitions.

12A:2-103. Definitions and index of definitions.

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

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

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

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

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

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

"Acceptance" ..... 12A:2-606.

"Banker's credit" ..... 12A:2-325.

"Between merchants" ..... 12A:2-104.

"Cancellation" ..... 12A:2-106(4).

"Commercial unit" ..... 12A:2-105.



"Confirmed credit" .....	12A:2-325.
"Conforming to contract" .....	12A:2-106.
"Contract for sale" .....	12A:2-106.
"Cover" .....	12A:2-712.
"Entrusting" .....	12A:2-403.
"Financing agency" .....	12A:2-104.
"Future goods" .....	12A:2-105.
"Goods" .....	12A:2-105.
"Identification" .....	12A:2-501.
"Installment contract" .....	12A:2-612.
"Letter of Credit" .....	12A:2-325.
"Lot" .....	12A:2-105.
"Merchant" .....	12A:2-104.
"Overseas" .....	12A:2-323.
"Person in position of seller" .....	12A:2-707.
"Present sale" .....	12A:2-106.
"Sale" .....	12A:2-106.
"Sale on approval" .....	12A:2-326.
"Sale or return" .....	12A:2-326.
"Termination" .....	12A:2-106.
(3) The following definitions in other Chapters apply to this Chapter:	
"Check" .....	12A:3-104.
"Consignee" .....	12A:7-102.
"Consignor" .....	12A:7-102.
"Consumer goods" .....	12A:9-102.
"Dishonor" .....	12A:3-502.
"Draft" .....	12A:3-104.

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

6. N.J.S.12A:2-210 is amended to read as follows:

Delegation of performance; assignment of rights

12A:2-210. Delegation of performance; assignment of rights

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

(2) Except as otherwise provided in 12A:9-406, unless otherwise agreed, all rights of either seller or buyer can be assigned except where the assignment would materially change the duty of the other party, or increase materially the burden or risk imposed on him by his contract, or impair materially his chance of obtaining return performance. A right to damages for breach of the whole contract or a right arising out of the assignor's due performance of his entire obligation can be assigned despite agreement otherwise.

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

The creation, attachment, perfection, or enforcement of a security interest in the seller's interest under a contract is not a transfer that materially changes the duty of or increases materially the burden or risk imposed on the buyer or impairs materially the buyer's chance of obtaining return performance within the purview of subsection (2) of this section unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the seller. Even in that event, the creation, attachment, perfection, and enforcement of the security interest remain effective, but (a) the seller is liable to the buyer for damages caused by the delegation to the extent that the damages could not reasonably be prevented by the buyer, and (b) a court having jurisdiction may grant other appropriate relief,

including cancellation of the contract for sale or an injunction against enforcement of the security interest or consummation of the enforcement.

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

(5) The other party may treat any assignment which delegates performance as creating reasonable grounds for insecurity and may without prejudice to his rights against the assignor demand assurances from the assignee (12A:2-609).

7. N.J.S.12A:2-326 is amended to read as follows:

Sale on approval and sale or return; rights of creditors.

12A:2-326. Sale on Approval and Sale or Return; Rights of Creditors.

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

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

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

(2) Goods held on approval are not subject to the claims of the buyer's creditors until acceptance; goods held on sale or return are subject to such claims while in the buyer's possession.

(3) Any "or return" term of a contract for sale is to be treated as a separate contract for sale within the statute of frauds section of this chapter (12A:2-201) and as contradicting the sale aspect of the contract within the provisions of this Chapter on parol or extrinsic evidence (12A:2-202).

8. N.J.S.12A:2-502 is amended to read as follows:

Buyer's right to goods on seller's repudiation, failure to deliver, or insolvency.

12A:2-502. Buyer's Right to Goods on Seller's Repudiation, Failure to Deliver, or Insolvency.

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

(a) in the case of goods bought for personal, family, or household purposes, the seller repudiates or fails to deliver as required by the contract; or

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

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

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

9. N.J.S.12A:2-716 is amended to read as follows:

Buyer's right to specific performance or replevin.

12A:2-716. Buyer's Right to Specific Performance or Replevin.

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

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

(3) The buyer has a right of replevin for goods identified to the contract if after reasonable

effort he is unable to effect cover for such goods or the circumstances reasonably indicate that such effort will be unavailing or if the goods have been shipped under reservation and satisfaction of the security interest in them has been made or tendered. In the case of goods bought for personal, family, or household purposes, the buyer's right of replevin vests upon acquisition of a special property, even if the seller had not then repudiated or failed to deliver. (cf: N.J.S.12A:2-716)

10. N.J.S.12A:2A-103 is amended to read as follows:

Definitions and index of definitions.

12A:2A-103. Definitions and index of definitions.

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

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

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

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

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

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

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

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

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

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

(iii) one of the following occurs:

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

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

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

(D) if the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing (a) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person, (b) that the lessee is entitled under this chapter to the promises and warranties, including those of any third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods, and (c) that the lessee may communicate with the person supplying the goods to the

lessor and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

(h) "Goods" means all things that are movable at the time of identification to the lease contract, or are fixtures (12A:2A-309), but the term does not include money, documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like, including oil and gas, before extraction. The term also includes the unborn young of animals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- "Accessions" . . . . . 12A:2A-310(1).
- "Construction mortgage" . . . . . 12A:2A-309(1)(d).
- "Encumbrance" . . . . . 12A:2A-309(1)(e).
- "Fixtures" . . . . . 12A:2A-309(1)(a).
- "Purchase money lease" . . . . . 12A:2A-309(1)(c).

(3) The following definitions in other Chapters apply to this Chapter:

- "Account" . . . . . 12A: 9-102(a)(2).
- "Between merchants" . . . . . 12A:2-104(3).
- "Buyer" . . . . . 12A:2-103(1)(a).
- "Chattel paper" . . . . . 12A:9-102(a)(12).
- "Consumer goods" . . . . . 12A:9-102(a)(24).
- "Document" . . . . . 12A:9-102(a)(21).
- "Entrusting" . . . . . 12A:2-403(3).
- "General intangible" . . . . . 12A:9-102(a)(42).
- "Good faith" . . . . . 12A:2-103(1)(b).
- "Instrument" . . . . . 12A:9-102(a)(47).
- "Merchant" . . . . . 12A:2-104(1).
- "Mortgage" . . . . . 12A:9-102(a)(55).
- "Pursuant to commitment" . . . . . 12A:9-102(a)(68).
- "Receipt" . . . . . 12A:2-103(1)(c).
- "Sale" . . . . . 12A:2-106(1).
- "Sale on approval" . . . . . 12A:2-326.
- "Sale or return" . . . . . 12A:2-326.
- "Seller" . . . . . 12A:2-103(1)(d).

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

11. N.J.S.12A:2A-303 is amended to read as follows:

Alienability of party's interest under lease contract or of lessor's residual interest in goods; delegation of performance; transfer of rights.

12A:2A-303. Alienability of party's interest under lease contract or of lessor's residual interest in goods; delegation of performance; transfer of rights.

(1) As used in this section, "creation of a security interest" includes the sale of a lease contract that is subject to Chapter 9, Secured Transactions, by reason of 12A:9-109(a)(3).

(2) Except as provided in subsection (3) and 12A:9-407, a provision in a lease agreement which (i) prohibits the voluntary or involuntary transfer, including a transfer by sale, sublease, creation or enforcement of a security interest, or attachment, levy, or other judicial process, of an interest of a party under the lease contract or of the lessor's residual interest in the goods, or (ii) makes such a transfer an event of default, gives rise to the rights and remedies provided in subsection (4), but a transfer that is prohibited or is an event of default under the lease agreement is otherwise effective.

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

(4) Subject to subsection (3) and 12A:9-407:

(a) if a transfer is made which is made an event of default under a lease agreement, the party to the lease contract not making the transfer, unless that party waives the default or otherwise agrees, has the rights and remedies described in 12A:2A-501(2);

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

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

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

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

12. N.J.S.12A:2A-307 is amended to read as follows:

Priority of liens arising by attachment or levy on, security interests in, and other claims to goods.

12A:2A-307. Priority of liens arising by attachment or levy on, security interests in, and other claims to goods.

(1) Except as otherwise provided in 12A:2A-306, a creditor of a lessee takes subject to the lease contract.

(2) Except as otherwise provided in subsection (3) and in 12A:2A-306 and 12A:2A-308, a creditor of a lessor takes subject to the lease contract unless:

(a) the creditor holds a lien that attached to the goods before the lease contract became enforceable;

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

(c) the creditor holds a security interest in the goods which was perfected (12A:9-303) before the lease contract became enforceable.

(3) Except as otherwise provided in 12A:9-317, 12A:9-321 and 12A:9-323, a lessee takes a leasehold interest subject to a security interest held by a creditor of the lessor.

13. N.J.S.12A:2A-309 is amended to read as follows:

Lessor's and lessee's rights when goods become fixtures.

12A:2A-309. Lessor's and lessee's rights when goods become fixtures.

(1) In this section:

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

(b) a "fixture filing" is the filing, in the office where a mortgage on the real estate would be filed or recorded, of a financing statement covering goods that are or are to become fixtures and conforming to the requirements of 12A:9-502 a. and b.;

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

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

the recorded writing so indicates; and

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

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

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

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

(a) the lease is a purchase money lease, the conflicting interest of the encumbrancer or owner arises before the goods become fixtures, the interest of the lessor is perfected by a fixture filing before the goods become fixtures or within 10 days thereafter, and the lessee has an interest of record in the real estate or is in possession of the real estate; or

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

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

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

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

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

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

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

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

(8) If the interest of a lessor of fixtures, including the lessor's residual interest, has priority over all conflicting interests of all owners and encumbrancers of the real estate, the lessor or the lessee may (i) on default, expiration, termination, or cancellation of the lease agreement but subject to the lease agreement and this chapter, or (ii) if necessary to enforce other rights and remedies of the lessor or lessee under this chapter, remove the goods from the real estate, free and clear of all conflicting interests of all owners and encumbrancers of the real estate, but the lessor or lessee shall reimburse any encumbrancer or owner of the real estate who is not the lessee and who has not otherwise agreed for the cost of repair of any physical injury, but not for any diminution in value of the real estate caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the party seeking removal gives adequate security for the performance of this obligation.

(9) Even though the lease agreement does not create a security interest, the interest of a lessor of fixtures, including the lessor's residual interest, is perfected by filing a financing

statement as a fixture filing or leased goods that are or are to become fixtures in accordance with the relevant provisions of the chapter on Secured Transactions (chapter 9).

14. N.J.S.12A:4-210 is amended to read as follows:

Security interest of collecting bank in items, accompanying documents and proceeds.

12A:4-210. Security Interest of Collecting Bank in Items, Accompanying Documents and Proceeds.

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

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

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

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

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

c. Receipt by a collecting bank of a final settlement for an item is a realization on its security interest in the item, accompanying documents, and proceeds. As long as the bank does not receive final settlement for the item or give up possession of the item or accompanying documents for purposes other than collection, the security interest continues to that extent and is subject to chapter 9, but:

(1) no security agreement is necessary to make the security interest enforceable (12A:9-203(b)(3)(A));

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

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

Security Interest of Issuer or Nominated Person.

15. 12A:5-118. Security Interest of Issuer or Nominated Person.

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

b. So long as and to the extent that an issuer or nominated person has not been reimbursed or has not otherwise recovered the value given with respect to a security interest in a document under subsection a. of this section, the security interest continues and is subject to Chapter 9, but:

(1) a security agreement is not necessary to make the security interest enforceable under 12A:9-203 b. (3);

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

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

16. N.J.S.12A:7-503 is amended to read as follows:

Document of title to goods defeated in certain cases.

12A:7-503. Document of Title to Goods Defeated in Certain Cases.

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

(a) delivered or entrusted them or any document of title covering them to the bailor or his nominee with actual or apparent authority to ship, store or sell or with power to obtain



delivery under this chapter (12A:7-403) or with power of disposition under this Act (12A:2-403 and 12A:9-320) or other statute or rule of law; nor

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

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

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

17. N.J.S.12A:8-103 is amended to read as follows:

Rule for determining whether certain obligations and interests are securities or financial assets.

12A:8-103. Rule for Determining whether Certain Obligations and Interests are Securities or Financial Assets.

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

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

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

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

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

f. A commodity contract, as defined in 12A:9-102(a)(16), is not a security or a financial asset.

18. N.J.S.12A:8-106 is amended to read as follows:

Control.

12A:8-106. Control.

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

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

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

(2) the certificate is registered in the name of the purchaser, upon original issue or registration of transfer by the issuer.

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

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

(2) the issuer has agreed that it will comply with instructions originated by the purchaser without further consent by the registered owner.

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

(1) the purchaser becomes the entitlement holder; or

(2) the securities intermediary has agreed that it will comply with entitlement orders originated by the purchaser without further consent by the entitlement holder; or

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

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

f. A purchaser who has satisfied the requirements of subsection c. or d. has control, even if the registered owner in the case of subsection c. or the entitlement holder in the case of subsection d. of this section retains the right to make substitutions for the uncertificated security or security entitlement, to originate instructions or entitlement orders to the issuer or securities intermediary, or otherwise to deal with the uncertificated security or security entitlement.

g. An issuer or a securities intermediary may not enter into an agreement of the kind described in subsection paragraph (2) of subsection c. or paragraph (2) of subsection d. of this section without the consent of the registered owner or entitlement holder, but an issuer or a securities intermediary is not required to enter into such an agreement even though the registered owner or entitlement holder so directs. An issuer or securities intermediary that has entered into such an agreement is not required to confirm the existence of the agreement to another party unless requested to do so by the registered owner or entitlement holder.

(cf: N.J.S.12A:8-106)

19. N.J.S.12A:8-110 is amended to read as follows:

Applicability; choice of law.

12A:8-110. Applicability; Choice of Law.

a. The local law of the issuer's jurisdiction, as specified in subsection d. of this section, governs:

(1) the validity of a security;

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

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

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

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

b. The local law of the securities intermediary's jurisdiction, as specified in subsection e. of this section, governs:

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

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

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

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

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

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

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

(1) If an agreement between the securities intermediary and its entitlement holder

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

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

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

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

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

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

20. N.J.S.12A:8-301 is amended to read as follows:

Delivery.

12A:8-301. Delivery.

a. Delivery of a certificated security to a purchaser occurs when:

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

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

(3) a securities intermediary acting on behalf of the purchaser acquires possession of the security certificate, only if the certificate is in registered form and is (a) registered in the name of the purchaser, (b) payable to the order of the purchaser, or (c) specially indorsed to the purchaser by an effective indorsement and has not been indorsed to the securities intermediary or in blank.

b. Delivery of an uncertificated security to a purchaser occurs when:

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

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

21. N.J.S.12A:8-302 is amended to read as follows:

Rights of purchaser.

12A:8-302. Rights of Purchaser.

a. Except as otherwise provided in subsections b. and c. of this section, a purchaser of a certificated or uncertificated security acquires all rights in the security that the transferor had or had power to transfer.

b. A purchaser of a limited interest acquires rights only to the extent of the interest purchased.

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

22. N.J.S.12A:8-510 is amended to read as follows:

Rights of purchaser of security entitlement from entitlement holder.

12A:8-510. Rights of Purchaser of Security Entitlement from Entitlement Holder.

a. In a case not covered by the priority rules in Chapter 9 or the rules stated in subsection c. of this section, an action based on an adverse claim to a financial asset or security entitlement, whether framed in conversion, replevin, constructive trust, equitable lien, or other theory, may not be asserted against a person who purchases a security entitlement, or an interest therein, from an entitlement holder if the purchaser gives value, does not have notice of the adverse claim, and obtains control.

b. If an adverse claim could not have been asserted against an entitlement holder under 12A:8-502, the adverse claim cannot be asserted against a person who purchases a security entitlement, or an interest therein, from the entitlement holder.

c. In a case not covered by the priority rules in Chapter 9, a purchaser for value of a security entitlement, or an interest therein, who obtains control has priority over a purchaser of a security entitlement, or an interest therein, who does not obtain control. Except as otherwise provided in subsection d of this section, purchasers who have control rank according to priority in time of:

(1) the purchaser's becoming the person for whom the securities account, in which the security entitlement is carried, is maintained, if the purchaser obtained control under 12A:8-106d.(1); or

(2) the securities intermediary's agreement to comply with the purchaser's entitlement orders with respect to security entitlements carried or to be carried in the securities account in which the security entitlement is carried, if the purchaser obtained control under 12A:8-106d.(2).

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

23. Section 7 of P.L.1999, c.340 (C.2A:18-78) is amended to read as follows:

C.2A:18-78 Disposal of property, options.

7. Property that has been conclusively presumed to be abandoned may be disposed of in any of the following ways:

a. The landlord may sell the property at a public or private sale;

b. The landlord may destroy or otherwise dispose of the property if the landlord reasonably determines that the value of the property is so low that the cost of storage and conducting a public sale would probably exceed the amount that would be realized from the sale; or

c. The landlord may sell certain items and destroy or otherwise dispose of the remaining property, in accordance with subsections a. and b. of this section.

A public or private sale authorized by this section shall be conducted in accordance with the provisions of 12A:9-601 et seq. of the "Uniform Commercial Code".

24. Section 1 of P.L.1939, c.53 (C.2A:53A-6) is amended to read as follows:

C.2A:53A-6 Contributory negligence of conditional vendee, etc., as defense by third person in suit brought by conditional vendor, etc.

Whenever a conditional vendor, bailor, or owner of the general property in goods or chattels or a secured party as defined in section 12A:9-102a.(72) of the New Jersey Statutes or the assignee or assignees of said conditional vendor, bailor or owner of the general property in goods or chattels or of any such secured party, shall institute suit for damages to said goods or chattels or the collateral as defined in said section of the New Jersey Statutes, while the same are in the custody, control or possession of the conditional vendee, bailee, or owner of the special property in said goods or chattels or debtor as defined in said section of the New Jersey Statutes or the agents, servants, or employees of said conditional vendee, bailee, or owner of the special property in said goods and chattels or of such debtor, against a third party or parties, or against the agents, servants, or employees of said third party or parties, or both, based on the negligence of the said third party or parties, or the agents,

servants, or employees of said third party or parties, the contributory negligence of the conditional vendee, bailee, or owner of the special property in said goods or chattels or of such debtor, or of the agents, servants, or employees of said conditional vendee, bailee or owner of the said special property in said goods or chattels or of such debtor, shall constitute a proper and valid defense to said action and be a complete bar to recovery in the same manner as though suit were brought by the conditional vendee, bailee, or owner of the special property in said goods or chattels or such debtor or by the agents, servants or employees of the conditional vendee, bailee, or owner of the special property in said goods and chattels or of such debtor.

25. Section 15 of P.L.1987, c.381 (C.46:8D-14) is amended to read as follows:

C.46:8D-14 Recording of financing statement security agreement, lien.

a. The lender of funds secured by a promissory note and pledge of the stock and proprietary lease of a cooperative unit shall record its lien by the method of recordation provided in the applicable statutes. If the secured transactions laws of N.J.S.12A:9-317 et seq. apply, the lender shall record its financing statement or security agreement in the office of the Secretary of State and the county recording office of the county in which any portion of the lands in which the cooperative unit is located.

b. In addition to the recording required pursuant to subsection a. of this section, the cooperative unit lender shall not have a perfected lien unless it records its lien in the master register for the cooperative in the county recording office of the county in which the cooperative unit is located. The lender shall pay to the county recording officer a fee of \$1.00 per page for recording of its lien in the master register which shall be in addition to the recording fees applicable to regular recording of the documents.

26. R.S.46:28-14 is amended to read as follows:

Mortgages of personalty included in mortgage of real estate by railroads or public utilities.

46:28-14. The provisions of the Uniform Commercial Code, Secured Transactions, N.J.S.12A:9-101 et seq., shall not be taken, construed or held to apply to any mortgage of personal property included in a mortgage of franchises and real estate heretofore or hereafter made by any railroad company or any other corporation defined by any law of this State as a public utility, and which has been or shall be recorded or registered as a mortgage of real estate in every county in which such railroad or public utility, or any part of it, or in which any of the real estate so mortgaged by it, is or shall be located, and any such mortgage so recorded shall be valid against the creditors of the mortgagor, and against subsequent purchasers and mortgagees until the same shall be released or shall be canceled of record in the manner prescribed by law for the release and cancellation of mortgages of real estate.

27. Section 22 of P.L.1999, c.23 (C.48:3-71) is amended to read as follows:

C.48:3-71 Issuance of transition bonds; security.

22. a. Electric public utilities or other financing entities may, but are not required to, issue transition bonds authorized by the board in any bondable stranded costs rate order.

b. An electric public utility or its assignee may sell, assign and otherwise transfer all or portions of its interest in bondable transition property to assignees or financing entities in connection with the issuance of transition bonds. In addition, an electric public utility, an assignee or a financing entity may pledge, grant a security interest in, or encumber bondable transition property as collateral for transition bonds.

c. Bondable transition property shall constitute an account and shall constitute presently existing property for all purposes, including for contracts securing transition bonds, whether or not the revenues and proceeds arising with respect thereto have accrued and notwithstanding the fact that the value of the property right may depend upon consumers using electricity or, in those instances where consumers are customers of a particular electric public utility, such electric public utility performing certain services. The validity of any sale,

assignment or other transfer of bondable stranded cost shall not be defeated or adversely affected by the commingling by the electric public utility of revenues received from amounts charged, collected and received as transition bond charges with other funds of the electric public utility. Any description of the bondable transition property in a security agreement or financing statement filed with respect to the transfer of such bondable transition property in accordance with N.J.S.12A:9-501 et seq. shall be sufficient if it refers to the bondable stranded costs rate order establishing the bondable transition property.

d. A perfected security interest in bondable transition property is a continuously perfected security interest in all revenues and proceeds arising with respect thereto, whether or not the revenues and proceeds shall have accrued. The validity and relative priority of a pledge of, or security interest in, bondable transition property shall not be defeated or adversely affected by the commingling by the electric public utility of revenues received from amounts charged, collected and received as transition bond charges with other funds of the electric public utility. Any description of the bondable transition property in a security agreement or financing statement filed with respect to the granting of a security interest in such bondable transition property in accordance with N.J.S.12A:9-501 et seq. shall be sufficient if it refers to the bondable stranded costs rate order establishing the bondable transition property as provided by N.J.S.12A:9-108f.

e. In the event of default by the electric public utility or its assignee in payment of revenues arising with respect to the bondable transition property, and upon the application by the pledgees or transferees of the bondable transition property, the board or any court of competent jurisdiction shall order the sequestration and payment to the pledgees or transferees of revenues arising with respect to the bondable transition property, which application shall not limit any other remedies available to the pledgees or transferees by reason of the default. Any such order shall remain in full force and effect notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the debtor, pledgor or transferor of the bondable transition property. Any amounts in excess of amounts necessary to satisfy obligations then outstanding on or related to transition bonds shall be applied in the manner set forth in subsection d. of section 15 of this act.

f. To the extent that any such interest in bondable transition property is so sold or assigned, or is so pledged as collateral, the electric public utility shall be authorized to enter into a contract with the secured party, the assignee or the financing entity providing that the electric public utility shall continue to operate its transmission and distribution system to provide service to its customers, shall impose, charge, collect and receive transition bond charges in respect of the bondable transition property for the benefit and account of the secured party, the assignee or the financing entity, and shall account for and remit such amounts to and for the account of the secured party, the assignee or the financing entity. In the event of a default by the electric public utility in respect of charging, collecting and receiving revenues derived from transition bond charges and upon the application by the secured party, the assignee or the financing entity, the board or any court of competent jurisdiction shall by order designate a trustee or other entity to act in the place of the electric public utility to impose, meter, charge, collect and receive transition bond charges in respect of the bondable transition property for the benefit and account of the pledgee, the assignee or the financing entity. The board may, at its discretion, establish criteria for the selection of any entity that may become a servicer of bondable transition property upon the default or other adverse material change in the financial condition of the electric public utility.

g. An agreement by an assignor of bondable transition property not to assert any defense, claim or set-off against an assignee of the bondable transition property shall be enforceable against the assignor by the assignee and by any successor or subsequent assignee thereof.

28. Section 23 of P.L.1999, c.23 (C.48:3-72) is amended to read as follows:

C.48:3-72 Transfer of bondable transition property.

23. a. If an agreement by an electric public utility or its assignee to transfer bondable transition property expressly states that the transfer is a sale or other absolute transfer, then, notwithstanding any other provisions of law:

(1) Such transfer shall constitute a sale by the electric public utility or its assignee of all right, title, and interest of the electric public utility or its assignee, as applicable, in and to such bondable transition property;

(2) Such transfer shall constitute a sale or other absolute transfer of, and not a borrowing secured by, such bondable transition property;

(3) Upon execution and delivery of such agreement, the electric public utility or its assignee shall have no right, title or interest in or to such bondable transition property, except to the extent of any retained equity interest permitted by the provisions of this act; and

(4) The characterization of a transfer as a sale or other absolute transfer shall not be affected or impaired in any manner by, among other things: (a) the assignor's retention, or acquisition as part of the assignment transaction or otherwise, of a *pari passu* equity interest in bondable transition property or the fact that only a portion of the bondable transition property is otherwise transferred; (b) the assignor's retention, or acquisition as part of the assignment transaction or otherwise, of a subordinate equity interest or other provision of credit enhancement on terms substantially commensurate with market practices; (c) the fact that the electric public utility acts as the collector or servicer of transition bond charges; (d) the assignor's retention of bare legal title to bondable transition property for the purpose of servicing or supervising the servicing of such property and collections with respect thereto; or (e) treatment of such transfer as a financing for federal, State or local tax purposes or financial accounting purposes.

b. Such transfer shall be perfected against any third party when:

(1) The board has issued a bondable stranded costs rate order with respect to such bondable transition property;

(2) Such agreement has been executed and delivered by the electric public utility or its assignee; and

(3) A financing statement has been filed with respect to the transfer of such bondable transition property in accordance with N.J.S.12A:9-501 et seq.

29. Section 27 of P.L.1999, c.23 (C.48:3-76) is amended to read as follows:

C.48:3-76 Bondable transition property constitutes an account.

27. a. For purposes of this act, and the Uniform Commercial Code - Secured Transactions, N.J.S.12A:9-101 et seq., bondable transition property, as defined in N.J.S.12A:9-102a (9), shall constitute an account. For purposes of this act, and the Uniform Commercial Code - Secured Transactions, N.J.S.12A:9-101 et seq., bondable transition property shall be in existence whether or not the revenues or proceeds in respect thereof have accrued, in accordance with subsection c. of section 22 of this act. The validity, perfection or priority of any security interest in bondable transition property shall not be defeated or adversely affected by changes to the bondable stranded costs rate order or to the transition bond charges payable by any customer. Any description of bondable transition property in a security agreement or other agreement or a financing statement shall be sufficient if it refers to the bondable stranded costs rate order establishing the bondable transition property.

b. In addition to the other rights and remedies provided or authorized by this act, and by the Uniform Commercial Code - Secured Transactions, N.J.S.12A:9-101 et seq., when a debtor is in default under a security agreement and the collateral is bondable transition property, then upon application by the secured party, the board or any court of competent jurisdiction shall order the sequestration and payment to the secured party of all collections and other proceeds of such bondable transition property up to the value of the property. In the event of any conflicts, priority among pledgees, transferees or secured parties shall be determined under N.J.S.12A:9-101 et seq.. The secured party shall account to the debtor for any surplus and, unless otherwise agreed, the debtor shall be liable for any deficiency.

30. Section 4 of P.L.1982, c.150 (C.52:16A-38) is amended to read as follows:

C.52:16A-38 Expedited over the counter corporate service.

4. a. The Division of Commercial Recording shall provide for and establish an expedited

over the counter corporate service. The processing of requests and information and documents shall be a priority same day service effected in a fast and efficient manner.

b. The Division of Commercial Recording shall provide expedited over the counter corporate service for the following requests:

- (1) Any information contained in the annual report of a corporation;
- (2) A certificate of standing;
- (3) A certified or uncertified copy of any document filed with the Division of Commercial Recording;
- (4) A certificate as to the existence or nonexistence of any facts on record with the Division of Commercial Recording;
- (5) The availability of a corporate name under N.J.S.14A:2-2;
- (6) Filing a certificate of incorporation;
- (7) Whether or not a corporation's certificate of incorporation or authority has been voided or revoked;
- (8) The name and address of the registered agent of a corporation;
- (9) The date of incorporation of a domestic corporation or the date of qualification of a foreign corporation;
- (10) The name and address of a corporation which has filed an alternate name certificate pursuant to N.J.S.14A:2-2.1;
- (11) A financing statement filing (UCC-1) pursuant to N.J.S.12A:9-501 et seq.;
- (12) A change of record filing (UCC-3) pursuant to N.J.S.12A:9-501 et seq.;
- (13) A request for information or copies of filed financing statements (UCC-11) pursuant to N.J.S.12A:9-501 et seq.;
- (14) Any other information contained in the documents filed with the Division of Commercial Recording, which in the discretion of the Secretary of State is readily available;
- (15) Filing a certificate of merger;
- (16) Filing a certificate of amendment; and
- (17) Any other filing which the Secretary of State agrees to accept.

31. Section 17 of P.L.1987, c.435 (C.52:16-10.1) is amended to read as follows:

C.52:16-10.1 Secretary of State Fund.

17. There is created a revolving fund in the General Treasury, to be administered by the Secretary of State, to be the depository of all fees received by the Department of State pursuant to N.J.S.12A:9-525; N.J.S.14A:15-2 and N.J.S.14A:15-3; N.J.S.15A:15-1 and N.J.S.15A:15-2; section 11 of P.L.1987, c.435 (C.22A:4-1a); section 65 of P.L.1983, c.489 (C.42:2A-68); R.S.48:3-38; section 2 of P.L.1979, c.460 (C.52:7-11); R.S.52:16-10; sections 3 through 6 of P.L.1966, c.263 (C.56:3-13.3 through C.56:3-13.6); and section 5 of P.L.1971, c.171 (C.56:3-13.7a). The fund is to be known as the "Secretary of State Fund." The moneys deposited in the fund are dedicated and pledged solely for the purposes contained in this 1987 amendatory and supplementary act and shall be in addition to any moneys appropriated by the Legislature to the department for the purposes specified in section 19 of this act. When the Administrator of the Office of Telecommunications and Information Systems certifies to the Governor and State Treasurer that the design, construction, purchase and implementation of an automated information system within the Division of Commercial Recording in the Department of State is completed, the Secretary of State Fund shall be terminated and all fees received by the Department of State shall be deposited in the General Fund.

Repealer.

32. Section 5 of P.L.1961, c.121 (C.2A:37A-1), N.J.S.12A:10-101, N.J.S.12A:10-104, N.J.S.12A:10-105, and N.J.S.12A:11-101 through N.J.S.12A:11-108 are repealed.

33. This act shall take effect immediately, but shall remain inoperative until July 1, 2001.

Approved June 26, 2001.