

SENATE BILL NO. 62—COMMITTEE ON JUDICIARY

PREFILED JANUARY 29, 1999

(ON BEHALF OF NEVADA BANKERS ASSOCIATION)

Referred to Committee on Judiciary

SUMMARY—Revises provisions of Uniform Commercial Code concerning secured transactions. (BDR 8-967)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~for omitted material~~ is material to be omitted.

AN ACT relating to commercial transactions; revising Article 9 of the Uniform Commercial Code; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 104 of NRS is hereby amended by adding thereto
2 the provisions set forth as sections 2 to 135, inclusive, of this act.
3 **Sec. 2.** *This article may be cited as Uniform Commercial Code–*
4 *Secured Transactions.*
5 **Sec. 3. 1. In this article:**
6 (a) *“Accession” means goods that are physically united with other*
7 *goods in such a manner that the identity of the original goods is not lost.*
8 (b) *“Account,” except as used in “account for,” means a right to*
9 *payment of a monetary obligation, whether or not earned by*
10 *performance; for property that has been or is to be sold, leased, licensed,*
11 *assigned, or otherwise disposed of; for services rendered or to be*
12 *rendered; for a policy of insurance issued or to be issued; for a*
13 *secondary obligation incurred or to be incurred; for energy provided or*
14 *to be provided; for the use or hire of a vessel under a charter or other*
15 *contract; arising out of the use of a credit or charge card or information*
16 *contained on or for use with the card; or as winnings in a lottery or other*
17 *game of chance operated or sponsored by a state, governmental unit of a*
18 *state, or person licensed or authorized to operate the game by a state or*



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- 1 *governmental unit of a state. The term includes health-care-insurance*
2 *receivables. The term does not include rights to payment evidenced by*
3 *chattel paper or an instrument; commercial tort claims; deposit*
4 *accounts; investment property; letter-of-credit rights or letters of credit;*
5 *or rights to payment for money or funds advanced or sold, other than*
6 *rights arising out of the use of a credit or charge card or information*
7 *contained on or for use with the card.*
8 (c) *“Account debtor” means a person obligated on an account, chattel*
9 *paper, or general intangible. The term does not include persons obligated*
10 *to pay a negotiable instrument, even if the instrument constitutes part of*
11 *chattel paper.*
12 (d) *“Accounting,” except as used in “accounting for,” means a*
13 *record:*
14 (1) *Authenticated by a secured party;*
15 (2) *Indicating the aggregate unpaid secured obligations as of a date*
16 *not more than 35 days earlier or 35 days later than the date of the*
17 *record; and*
18 (3) *Identifying the components of the obligations in reasonable*
19 *detail.*
20 (e) *“Agricultural lien” means an interest, other than a security*
21 *interest, in farm products:*
22 (1) *Which secures payment or performance of an obligation for:*
23 (I) *Goods or services furnished in connection with a debtor’s*
24 *farming operation; or*
25 (II) *Rent on real property leased by a debtor in connection with*
26 *its farming operation;*
27 (2) *Which is created by statute in favor of a person that:*
28 (I) *In the ordinary course of its business furnished goods or*
29 *services to a debtor in connection with his farming operation; or*
30 (II) *Leased real property to a debtor in connection with his*
31 *farming operation; and*
32 (3) *Whose effectiveness does not depend on the person’s possession*
33 *of the personal property.*
34 (f) *“As-extracted collateral” means:*
35 (1) *Oil, gas, or other minerals that are subject to a security interest*
36 *that:*
37 (I) *Is created by a debtor having an interest in the minerals*
38 *before extraction; and*
39 (II) *Attaches to the minerals as extracted; or*
40 (2) *Accounts arising out of the sale at the wellhead or minehead of*
41 *oil, gas, or other minerals in which the debtor had an interest before*
42 *extraction.*
43 (g) *“Authenticate” means:*



- 1 (1) To sign; or
2 (2) To execute or otherwise adopt a symbol, or encrypt or similarly
3 process a record in whole or in part, with the present intent of the
4 authenticating person to identify himself and adopt or accept a record.
- 5 (h) "Bank" means an organization that is engaged in the business of
6 banking. The term includes savings banks, savings and loan
7 associations, credit unions, and trust companies.
- 8 (i) "Cash proceeds" means proceeds that are money, checks, deposit
9 accounts, or the like.
- 10 (j) "Certificate of title" means a certificate of title with respect to
11 which a statute provides for the security interest in question to be
12 indicated on the certificate as a condition or result of the security
13 interest's obtaining priority over the rights of a lien creditor with respect
14 to the collateral.
- 15 (k) "Chattel paper" means a record or records that evidence both a
16 monetary obligation and a security interest in or a lease of specific goods
17 or of specific goods and software used in the goods. The term does not
18 include charters or other contracts involving the use or hire of a vessel. If
19 a transaction is evidenced both by a security agreement or lease and by
20 an instrument or series of instruments, the group of records taken
21 together constitutes chattel paper.
- 22 (l) "Collateral" means the property subject to a security interest or
23 agricultural lien. The term includes:
- 24 (1) Proceeds to which a security interest attaches;
25 (2) Accounts, chattel paper, payment intangibles, and promissory
26 notes that have been sold; and
27 (3) Goods that are the subject of a consignment.
- 28 (m) "Commercial tort claim" means a claim arising in tort with
29 respect to which:
- 30 (1) The claimant is an organization; or
31 (2) The claimant is a natural person and the claim:
32 (I) Arose in the course of his business or profession; and
33 (II) Does not include damages arising out of personal injury to
34 or the death of a natural person.
- 35 (n) "Commodity account" means an account maintained by a
36 commodity intermediary in which a commodity contract is carried for a
37 commodity customer.
- 38 (o) "Commodity contract" means a commodity futures contract, an
39 option on a commodity futures contract, a commodity option, or another
40 contract if the contract or option is:
- 41 (1) Traded on or subject to the rules of a board of trade that has
42 been designated as a contract market for such a contract pursuant to
43 federal commodities laws; or



- 1 (2) *Traded on a foreign commodity board of trade, exchange, or*
2 *market, and is carried on the books of a commodity intermediary for a*
3 *commodity customer.*
- 4 (p) *“Commodity customer” means a person for which a commodity*
5 *intermediary carries a commodity contract on its books.*
- 6 (q) *“Commodity intermediary” means a person that:*
7 (1) *Is registered as a futures commission merchant under federal*
8 *commodities law; or*
9 (2) *In the ordinary course of its business provides clearance or*
10 *settlement services for a board of trade that has been designated as a*
11 *contract market pursuant to federal commodities law.*
- 12 (r) *“Communicate” means:*
13 (1) *To send a written or other tangible record;*
14 (2) *To transmit a record by any means agreed upon by the persons*
15 *sending and receiving the record; or*
16 (3) *In the case of transmission of a record to or by a filing office, to*
17 *transmit a record by any means prescribed by filing-office rule.*
- 18 (s) *“Consignee” means a merchant to which goods are delivered in a*
19 *consignment.*
- 20 (t) *“Consignment” means a transaction, regardless of its form, in*
21 *which a person delivers goods to a merchant for the purpose of sale and:*
22 (1) *The merchant:*
23 (I) *Deals in goods of that kind under a name other than the name*
24 *of the person making delivery;*
25 (II) *Is not an auctioneer; and*
26 (III) *Is not generally known by its creditors to be substantially*
27 *engaged in selling the goods of others;*
28 (2) *With respect to each delivery, the aggregate value of the goods is*
29 *\$1,000 or more at the time of delivery;*
30 (3) *The goods are not consumer goods immediately before delivery;*
31 *and*
32 (4) *The transaction does not create a security interest that secures*
33 *an obligation.*
- 34 (u) *“Consignor” means a person that delivers goods to a consignee in*
35 *a consignment.*
- 36 (v) *“Consumer debtor” means a debtor in a consumer transaction.*
- 37 (w) *“Consumer goods” means goods that are used or bought for use*
38 *primarily for personal, family, or household purposes.*
- 39 (x) *“Consumer-goods transaction” means a consumer transaction to*
40 *the extent that:*
41 (1) *A natural person incurs an obligation primarily for personal,*
42 *family, or household purposes; and*



- 1 (2) A security interest in consumer goods or in consumer goods and
2 software that is held or acquired primarily for personal, family, or
3 household purposes secures the obligation.
- 4 (y) “Consumer obligor” means an obligor who is a natural person
5 and who incurred the obligation as part of a transaction entered into
6 primarily for personal, family, or household purposes.
- 7 (z) “Consumer transaction” means a transaction to the extent that a
8 natural person incurs an obligation primarily for personal, family, or
9 household purposes; a security interest secures the obligation; and the
10 collateral is held or acquired primarily for personal, family, or household
11 purposes. The term includes consumer-goods transactions.
- 12 (aa) “Continuation statement” means an amendment of a financing
13 statement which:
- 14 (1) Identifies, by its file number, the initial financing statement to
15 which it relates; and
- 16 (2) Indicates that it is a continuation statement for, or that it is filed
17 to continue the effectiveness of, the identified financing statement.
- 18 (bb) “Debtor” means:
- 19 (1) A person having an interest, other than a security interest or
20 other lien, in the collateral, whether or not he is an obligor;
- 21 (2) A seller of accounts, chattel paper, payment intangibles, or
22 promissory notes; or
- 23 (3) A consignee.
- 24 (cc) “Deposit account” means a demand, time, savings, passbook, or
25 similar account maintained with a bank. The term does not include
26 investment property or accounts evidenced by an instrument.
- 27 (dd) “Document” means a document of title or a receipt of the type
28 described in subsection 2 of NRS 104.7201.
- 29 (ee) “Electronic chattel paper” means chattel paper evidenced by a
30 record or records consisting of information stored in an electronic
31 medium.
- 32 (ff) “Encumbrance” means a right, other than an ownership interest,
33 in real property. The term includes mortgages and other liens on real
34 property.
- 35 (gg) “Equipment” means goods other than inventory, farm products,
36 or consumer goods.
- 37 (hh) “Farm products” means goods, other than standing timber, with
38 respect to which the debtor is engaged in a farming operation and which
39 are:
- 40 (1) Crops grown, growing, or to be grown, including:
41 (I) Crops produced on trees, vines, and bushes; and
42 (II) Aquatic goods produced in aquacultural operations;



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- 1 (2) Livestock, born or unborn, including aquatic goods produced in
2 aquacultural operations;
3 (3) Supplies used or produced in a farming operation; or
4 (4) Products of crops or livestock in their unmanufactured states.
5 (ii) “Farming operation” means raising, cultivating, propagating,
6 fattening, grazing, or any other farming, livestock, or aquacultural
7 operation.
8 (jj) “File number” means the number assigned to an initial financing
9 statement pursuant to subsection 1 of section 91 of this act.
10 (kk) “Filing office” means an office designated in section 73 of this
11 act as the place to file a financing statement.
12 (ll) “Filing-office rule” means a rule adopted pursuant to section 98
13 of this act.
14 (mm) “Financing statement” means a record or records composed of
15 an initial financing statement and any filed record relating to the initial
16 financing statement.
17 (nn) “Fixture filing” means the filing of a financing statement
18 covering goods that are or are to become fixtures and satisfying
19 subsections 1 and 2 of section 74 of this act. The term includes the filing
20 of a financing statement covering goods of a transmitting utility which
21 are or are to become fixtures.
22 (oo) “Fixtures” means goods that have become so related to
23 particular real property that an interest in them arises under real
24 property law.
25 (pp) “General intangible” means any personal property, including
26 things in action, other than accounts, chattel paper, commercial tort
27 claims, deposit accounts, documents, goods, instruments, investment
28 property, letter-of-credit rights, letters of credit, money, and oil, gas, or
29 other minerals before extraction. The term includes payment intangibles
30 and software.
31 (qq) “Good faith” means honesty in fact and the observance of
32 reasonable commercial standards of fair dealing.
33 (rr) “Goods” means all things that are movable when a security
34 interest attaches. The term includes fixtures; standing timber that is to be
35 cut and removed under a conveyance or contract for sale; the unborn
36 young of animals; crops grown, growing, or to be grown, even if the
37 crops are produced on trees, vines, or bushes; and manufactured homes.
38 The term also includes a computer program embedded in goods and any
39 supporting information provided in connection with a transaction
40 relating to the program if the program is associated with the goods in
41 such a manner that it customarily is considered part of the goods, or by
42 becoming the owner of the goods, a person acquires a right to use the
43 program in connection with the goods. The term does not include a



- 1 computer program embedded in goods that consist solely of the medium
2 in which the program is embedded. The term also does not include
3 accounts, chattel paper, commercial tort claims, deposit accounts,
4 documents, general intangibles, instruments, investment property, letter-
5 of-credit rights, letters of credit, money, or oil, gas, or other minerals
6 before extraction.
- 7 (ss) “Governmental unit” means a subdivision, agency, department,
8 county, parish, municipality, or other unit of the government of the
9 United States, a state, or a foreign country. The term includes an
10 organization having a separate corporate existence if the organization is
11 eligible to issue debt on which interest is exempt from income taxation
12 under the laws of the United States.
- 13 (tt) “Health-care-insurance receivable” means an interest in or claim
14 under a policy of insurance which is a right to payment of a monetary
15 obligation for health-care goods or services provided.
- 16 (uu) “Instrument” means a negotiable instrument or any other
17 writing that evidences a right to the payment of a monetary obligation, is
18 not itself a security agreement or lease, and is of a type that in ordinary
19 course of business is transferred by delivery with any necessary
20 endorsement or assignment. The term does not include investment
21 property, letters of credit, or writings that evidence a right to payment
22 arising out of the use of a credit or charge card or information contained
23 on or for use with the card.
- 24 (vv) “Inventory” means goods, other than farm products, which:
- 25 (1) Are leased by a person as lessor;
26 (2) Are held by a person for sale or lease or to be furnished under a
27 contract of service;
28 (3) Are furnished by a person under a contract of service; or
29 (4) Consist of raw materials, work in process, or materials used or
30 consumed in a business.
- 31 (ww) “Investment property” means a security, whether certificated or
32 uncertificated, security entitlement, securities account, commodity
33 contract, or commodity account.
- 34 (xx) “Jurisdiction of organization,” with respect to a registered
35 organization, means the jurisdiction under whose law the organization is
36 organized.
- 37 (yy) “Letter-of-credit right” means a right to payment or performance
38 under a letter of credit, whether or not the beneficiary has demanded or
39 is at the time entitled to demand payment or performance. The term does
40 not include the right of a beneficiary to demand payment or performance
41 under a letter of credit.
- 42 (zz) “Lien creditor” means:



- 1 (1) A creditor that has acquired a lien on the property involved by
2 attachment, levy, or the like;
- 3 (2) An assignee for benefit of creditors from the time of
4 assignment;
- 5 (3) A trustee in bankruptcy from the date of the filing of the
6 petition; or
- 7 (4) A receiver in equity from the time of appointment.
- 8 (aaa) “Manufactured home” means a structure, transportable in one
9 or more sections, which in the traveling mode, is 8 feet or more in body
10 width or 40 feet or more in body length, or, when erected on site, is 320
11 or more square feet, and which is built on a permanent chassis and
12 designed to be used as a dwelling with or without a permanent
13 foundation when connected to the required utilities, and includes the
14 plumbing, heating, air-conditioning, and electrical systems contained
15 therein. The term includes any structure that meets all of the
16 requirements of this paragraph except the size requirements and with
17 respect to which the manufacturer voluntarily files a certification
18 required by the United States Secretary of Housing and Urban
19 Development and complies with the standards established under Title 42
20 of the United States Code.
- 21 (bbb) “Manufactured-home transaction” means a secured
22 transaction:
- 23 (1) That creates a purchase-money security interest in a
24 manufactured home, other than a manufactured home held as inventory;
25 or
- 26 (2) In which a manufactured home, other than a manufactured
27 home held as inventory, is the primary collateral.
- 28 (ccc) “Mortgage” means a consensual interest in real property,
29 including fixtures, which is created by a mortgage, deed of trust, or
30 similar transaction.
- 31 (ddd) “New debtor” means a person that becomes bound as debtor
32 under subsection 4 of section 14 of this act by a security agreement
33 previously entered into by another person.
- 34 (eee) “New value” means money; money’s worth in property, services,
35 or new credit; or release by a transferee of an interest in property
36 previously transferred to the transferee. The term does not include an
37 obligation substituted for another obligation.
- 38 (fff) “Noncash proceeds” means proceeds other than cash proceeds.
- 39 (ggg) “Obligor” means a person that, with respect to an obligation
40 secured by a security interest in or an agricultural lien on the collateral,
41 owes payment or other performance of the obligation, has provided
42 property other than the collateral to secure payment or other
43 performance of the obligation, or is otherwise accountable in whole or in



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- 1 *part for payment or other performance of the obligation. The term does*
2 *not include an issuer or a nominated person under a letter of credit.*
3 *(hhh) “Original debtor” means a person that, as debtor, entered into a*
4 *security agreement to which a new debtor has become bound under*
5 *subsection 4 of section 14 of this act.*
6 *(iii) “Payment intangible” means a general intangible under which*
7 *the account debtor’s principal obligation is a monetary obligation.*
8 *(jjj) “Person related to,” with respect to a natural person, means:*
9 *(1) His spouse;*
10 *(2) His brother, brother-in-law, sister, or sister-in-law;*
11 *(3) His or his spouse’s ancestor or lineal descendant; or*
12 *(4) Any other relative, by blood or marriage, of the person or his*
13 *spouse who shares the same home with him.*
14 *(kkk) “Person related to,” with respect to an organization, means:*
15 *(1) A person directly or indirectly controlling, controlled by, or*
16 *under common control with the organization;*
17 *(2) An officer or director of, or a person performing similar*
18 *functions with respect to, the organization;*
19 *(3) An officer or director of, or a person performing similar*
20 *functions with respect to, a person described in subparagraph (1);*
21 *(4) The spouse of a natural person described in subparagraph (1),*
22 *(2), or (3); or*
23 *(5) A person who is related by blood or marriage to a person*
24 *described in subparagraph (1), (2), (3), or (4) and shares the same home*
25 *with that person.*
26 *(lll) “Proceeds” means the following property:*
27 *(1) Whatever is acquired upon the sale, lease, license, exchange, or*
28 *other disposition of collateral;*
29 *(2) Whatever is collected on, or distributed on account of,*
30 *collateral;*
31 *(3) Rights arising out of collateral;*
32 *(4) To the extent of the value of collateral, claims arising out of the*
33 *loss, nonconformity, or interference with the use of, defects or*
34 *infringement of rights in, or damage to, the collateral; and*
35 *(5) To the extent of the value of collateral and to the extent payable*
36 *to the debtor or the secured party, insurance payable by reason of the loss*
37 *or nonconformity of, defects or infringement of rights in, or damage to,*
38 *the collateral.*
39 *(mmm) “Promissory note” means an instrument that evidences a*
40 *promise to pay a monetary obligation, does not evidence an order to pay,*
41 *and does not contain an acknowledgment by a bank that the bank has*
42 *received for deposit a sum of money or funds.*



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- 1 (nnn) “Proposal” means a record authenticated by a secured party
2 which includes the terms on which the secured party is willing to accept
3 collateral in full or partial satisfaction of the obligation it secures
4 pursuant to sections 119, 120 and 121 of this act.
- 5 (ooo) “Public-finance transaction” means a secured transaction in
6 connection with which:
- 7 (1) Debt securities are issued;
- 8 (2) All or a portion of the securities issued have an initial stated
9 maturity of at least 20 years; and
- 10 (3) The debtor, the obligor, the secured party, the account debtor or
11 other person obligated on collateral, the assignor or assignee of a
12 secured obligation, or the assignor or assignee of a security interest is a
13 state or a governmental unit of a state.
- 14 (ppp) “Pursuant to commitment,” with respect to an advance made or
15 other value given by a secured party, means pursuant to the secured
16 party’s obligation, whether or not a subsequent event of default or other
17 event not within the secured party’s control has relieved or may relieve
18 the secured party from its obligation.
- 19 (qqq) “Record,” except as used in “for record,” “of record,” “record
20 or legal title,” and “record owner,” means information that is inscribed
21 on a tangible medium or which is stored in an electronic or other
22 medium and is retrievable in perceivable form.
- 23 (rrr) “Registered organization” means an organization organized
24 solely under the law of a single state or the United States and as to which
25 the state or the United States must maintain a public record showing the
26 organization to have been organized.
- 27 (sss) “Secondary obligor” means an obligor to the extent that:
- 28 (1) The obligor’s obligation is secondary; or
- 29 (2) The obligor has a right of recourse with respect to an obligation
30 secured by collateral against the debtor, another obligor, or property of
31 either.
- 32 (ttt) “Secured party” means:
- 33 (1) A person in whose favor a security interest is created or
34 provided for under a security agreement, whether or not any obligation
35 to be secured is outstanding;
- 36 (2) A person that holds an agricultural lien;
- 37 (3) A consignor;
- 38 (4) A person to which accounts, chattel paper, payment intangibles,
39 or promissory notes have been sold;
- 40 (5) A trustee, indenture trustee, agent, collateral agent, or other
41 representative in whose favor a security interest or agricultural lien is
42 created or provided for; or



- 1 (6) A person that holds a security interest arising under NRS
2 104.2401, 104.2505, subsection 3 of NRS 104.2711, NRS 104.4210,
3 104.5118, or subsection 5 of NRS 104A.2508.
- 4 (uuu) “Security agreement” means an agreement that creates or
5 provides for a security interest.
- 6 (vvv) “Send,” in connection with a record or notification, means:
- 7 (1) To deposit in the mail, deliver for transmission, or transmit by
8 any other usual means of communication, with postage or cost of
9 transmission provided for, addressed to any address reasonable under the
10 circumstances; or
- 11 (2) To cause the record or notification to be received within the time
12 that it would have been received if properly sent under subparagraph (1).
- 13 (www) “Software” means a computer program and any supporting
14 information provided in connection with a transaction relating to the
15 program. The term does not include a computer program that is
16 contained in goods unless the goods are a computer or computer
17 peripheral.
- 18 (xxx) “State” means a state of the United States, the District of
19 Columbia, Puerto Rico, the United States Virgin Islands, or any territory
20 or insular possession subject to the jurisdiction of the United States.
- 21 (yyy) “Supporting obligation” means a letter-of-credit right or
22 secondary obligation that supports the payment or performance of an
23 account, chattel paper, document, general intangible, instrument, or
24 investment property.
- 25 (zzz) “Tangible chattel paper” means chattel paper evidenced by a
26 record or records consisting of information that is inscribed on a tangible
27 medium.
- 28 (aaaa) “Termination statement” means an amendment of a financing
29 statement which:
- 30 (1) Identifies, by its file number, the initial financing statement to
31 which it relates; and
- 32 (2) Indicates either that it is a termination statement or that the
33 identified financing statement is no longer effective.
- 34 (bbbb) “Transmitting utility” means a person primarily engaged in
35 the business of:
- 36 (1) Operating a railroad, subway, street railway, or trolley bus;
- 37 (2) Transmitting communications electrically, electromagnetically,
38 or by light;
- 39 (3) Transmitting goods by pipeline;
- 40 (4) Providing sewerage; or
- 41 (5) Transmitting or producing and transmitting electricity, steam,
42 gas, or water.



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2. *The following definitions in other articles apply to this article:*

- “Applicant.” NRS 104.5102.*
- “Beneficiary.” NRS 104.5102.*
- “Broker.” NRS 104.8102.*
- “Certificated security.” NRS 104.8102.*
- “Check.” NRS 104.3104.*
- “Clearing corporation.” NRS 104.8102.*
- “Contract for sale.” NRS 104.2106.*
- “Customer.” NRS 104.4104.*
- “Entitlement holder.” NRS 104.8102.*
- “Financial asset.” NRS 104.8102.*
- “Holder in due course.” NRS 104.3302.*
- “Issuer.” NRS 104.5102.*
- “Lease.” NRS 104A.2103.*
- “Lease agreement.” NRS 104A.2103.*
- “Lease contract.” NRS 104A.2103.*
- “Leasehold interest.” NRS 104A.2103.*
- “Lessee.” NRS 104A.2103.*
- “Lessee in ordinary course of business.” NRS 104A.2103.*
- “Lessor.” NRS 104A.2103.*
- “Lessor’s residual interest.” NRS 104A.2103.*
- “Letter of credit.” NRS 104.5102.*
- “Merchant.” NRS 104.2104.*
- “Negotiable instrument.” NRS 104.3104.*
- “Nominated person.” NRS 104.5102.*
- “Note.” NRS 104.3104.*
- “Proceeds of a letter of credit.” NRS 104.5114.*
- “Prove.” NRS 104.3103.*
- “Sale.” NRS 104.2106.*
- “Securities account.” NRS 104.8501.*
- “Securities intermediary.” NRS 104.8102.*
- “Security.” NRS 104.8102.*
- “Security certificate.” NRS 104.8102.*
- “Security entitlement.” NRS 104.8102.*
- “Uncertificated security.” NRS 104.8102.*

3. *Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.*

Sec. 4. 1. In this section:

- (a) “Purchase-money collateral” means goods or software that secures a purchase-money obligation incurred with respect to that collateral; and*
- (b) “Purchase-money obligation” means an obligation of an obligor incurred as all or part of the price of the collateral or for value given to*



* S B 6 2 *

- 1 *enable the debtor to acquire rights in or the use of the collateral if the*
2 *value is in fact so used.*
- 3 2. *A security interest in goods is a purchase-money security interest:*
4 *(a) To the extent that the goods are purchase-money collateral with*
5 *respect to that security interest;*
6 *(b) If the security interest is in inventory that is or was purchase-*
7 *money collateral, also to the extent that the security interest secures a*
8 *purchase-money obligation incurred with respect to other inventory in*
9 *which the secured party holds or held a purchase-money security*
10 *interest; and*
11 *(c) Also to the extent that the security interest secures a purchase-*
12 *money obligation incurred with respect to software in which the secured*
13 *party holds or held a purchase-money security interest.*
- 14 3. *A security interest in software is a purchase-money security*
15 *interest to the extent that the security interest also secures a purchase-*
16 *money obligation incurred with respect to goods in which the secured*
17 *party holds or held a purchase-money security interest if:*
18 *(a) The debtor acquired its interest in the software in an integrated*
19 *transaction in which it acquired an interest in the goods; and*
20 *(b) The debtor acquired its interest in the software for the principal*
21 *purpose of using the software in the goods.*
- 22 4. *The security interest of a consignor in goods that are the subject of*
23 *a consignment is a purchase-money security interest in inventory.*
- 24 5. *In a transaction other than a consumer-goods transaction, if the*
25 *extent to which a security interest is a purchase-money security interest*
26 *depends on the application of a payment to a particular obligation, the*
27 *payment must be applied:*
28 *(a) In accordance with any reasonable method of application to which*
29 *the parties agree;*
30 *(b) In the absence of the parties' agreement to a reasonable method,*
31 *in accordance with any intention of the obligor manifested at or before*
32 *the time of payment; or*
33 *(c) In the absence of an agreement to a reasonable method and a*
34 *timely manifestation of the obligor's intention, in the following order:*
35 *(1) To obligations that are not secured; and*
36 *(2) If more than one obligation is secured, to obligations secured by*
37 *purchase-money security interests in the order in which those obligations*
38 *were incurred.*
- 39 6. *In a transaction other than a consumer-goods transaction, a*
40 *purchase-money security interest does not lose its status as such, even if:*
41 *(a) The purchase-money collateral also secures an obligation that is*
42 *not a purchase-money obligation;*



* S B 6 2 *

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

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

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

9 8. The limitation of the rules in subsections 5, 6 and 7 to transactions
10 other than consumer-goods transactions leaves to the court the
11 determination of the proper rules in consumer-goods transactions. The
12 court may not infer from that limitation the nature of the proper rule in
13 consumer-goods transactions and may continue to apply established
14 approaches.

15 Sec. 5. 1. A secured party has control of a deposit account if:

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

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

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

24 2. A secured party that has satisfied subsection 1 has control, even if
25 the debtor retains the right to direct the disposition of funds from the
26 deposit account.

27 Sec. 6. A secured party has control of electronic chattel paper if the
28 record or records comprising the chattel paper are created, stored, and
29 assigned in such a manner that:

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

33 2. The authoritative copy identifies the secured party as the assignee
34 of the record or records;

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

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

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

42 6. Any revision of the authoritative copy is readily identifiable as an
43 authorized or unauthorized revision.



* S B 6 2 *

1 **Sec. 7. 1.** *A person has control of a certificated security,*
2 *uncertificated security, or security entitlement as provided in NRS*
3 *104.8106.*

4 **2.** *A secured party has control of a commodity contract if:*

5 *(a) The secured party is the commodity intermediary with which the*
6 *commodity contract is carried; or*

7 *(b) The commodity customer, secured party, and commodity*
8 *intermediary have agreed that the commodity intermediary will apply any*
9 *value distributed on account of the commodity contract as directed by the*
10 *secured party without further consent by the commodity customer.*

11 **3.** *A secured party having control of all security entitlements or*
12 *commodity contracts carried in a securities account or commodity*
13 *account has control over the securities account or commodity account.*

14 **Sec. 8.** *A secured party has control of a letter-of-credit right to the*
15 *extent of any right to payment or performance by the issuer or any*
16 *nominated person if the issuer or nominated person has consented to an*
17 *assignment of proceeds of the letter of credit under subsection 3 of NRS*
18 *104.5114 or otherwise applicable law or practice.*

19 **Sec. 9. 1.** *Except as otherwise provided in subsections 3, 4 and 5, a*
20 *description of personal or real property is sufficient, whether or not it is*
21 *specific, if it reasonably identifies what is described.*

22 **2.** *Except as otherwise provided in subsection 4, a description of*
23 *collateral reasonably identifies the collateral if it identifies the collateral*
24 *by:*

25 *(a) Specific listing;*

26 *(b) Category;*

27 *(c) Except as otherwise provided in subsection 5, a type of collateral*
28 *defined in the Uniform Commercial Code;*

29 *(d) Quantity;*

30 *(e) Computational or allocational formula or procedure; or*

31 *(f) Except as otherwise provided in subsection 3, any other method, if*
32 *the identity of the collateral is objectively determinable.*

33 **3.** *A description of collateral as “all the debtor’s assets” or “all the*
34 *debtor’s personal property” or using words of similar import does not*
35 *reasonably identify the collateral.*

36 **4.** *Except as otherwise provided in subsection 5, a description of a*
37 *security entitlement, securities account, or commodity account is*
38 *sufficient if it describes:*

39 *(a) The collateral by those terms or as investment property; or*

40 *(b) The underlying financial asset or commodity contract.*

41 **5.** *A description only by type of collateral defined in the Uniform*
42 *Commercial Code is an insufficient description of:*

43 *(a) A commercial tort claim; or*



* S B 6 2 *

- 1 (b) In a consumer transaction, consumer goods, a security
2 entitlement, a securities account, or a commodity account.
- 3 **Sec. 10. 1.** Except as otherwise provided in subsections 3 and 4,
4 this article applies to:
- 5 (a) A transaction, regardless of its form, that creates a security interest
6 in personal property or fixtures by contract;
- 7 (b) An agricultural lien;
- 8 (c) A sale of accounts, chattel paper, payment intangibles, or
9 promissory notes;
- 10 (d) A consignment;
- 11 (e) A security interest arising under NRS 104.2401, 104.2505,
12 subsection 3 of NRS 104.2711, or subsection 5 of NRS 104A.2508, as
13 provided in section 11 of this act; and
- 14 (f) A security interest arising under NRS 104.4210 or 104.5118.
- 15 2. The application of this article to a security interest in a secured
16 obligation is not affected by the fact that the obligation is itself secured
17 by a transaction or interest to which this article does not apply.
- 18 3. This article does not apply to the extent that:
- 19 (a) A statute, regulation, or treaty of the United States preempts this
20 article;
- 21 (b) Another statute of this state expressly governs the creation,
22 perfection, priority, or enforcement of a security interest created by this
23 state or a governmental unit of this state;
- 24 (c) A statute of another state, a foreign country, or a governmental
25 unit of another state or a foreign country, other than a statute generally
26 applicable to security interests, expressly governs creation, perfection,
27 priority, or enforcement of a security interest created by the state,
28 country, or governmental unit; or
- 29 (d) The rights of a transferee beneficiary or nominated person under
30 a letter of credit are independent and superior under NRS 104.5114.
- 31 4. This article does not apply to:
- 32 (a) A landlord's lien, other than an agricultural lien;
- 33 (b) A lien, other than an agricultural lien, given by statute or other
34 rule of law for services or materials, but section 54 of this act applies
35 with respect to priority of the lien;
- 36 (c) An assignment of a claim for wages, salary, or other compensation
37 of an employee;
- 38 (d) A sale of accounts, chattel paper, payment intangibles, or
39 promissory notes as part of a sale of the business out of which they arose;
- 40 (e) An assignment of accounts, chattel paper, payment intangibles, or
41 promissory notes which is for the purpose of collection only;
- 42 (f) An assignment of a right to payment under a contract to an
43 assignee that is also obligated to perform under the contract;



* S B 6 2 *

1 (g) An assignment of a single account, payment intangible, or
2 promissory note to an assignee in full or partial satisfaction of a
3 preexisting indebtedness;

4 (h) A transfer of an interest in or an assignment of a claim under a
5 policy of insurance, other than an assignment by or to a health-care
6 provider of a health-care-insurance receivable and any subsequent
7 assignment of the right to payment, but sections 36 and 43 of this act
8 apply with respect to proceeds and priorities in proceeds;

9 (i) An assignment of a right represented by a judgment, other than a
10 judgment taken on a right to payment that was collateral;

11 (j) A right of recoupment or set-off, but:

12 (1) Section 61 of this act applies with respect to the effectiveness of
13 rights of recoupment or set-off against deposit accounts; and

14 (2) Section 67 of this act applies with respect to defenses or claims
15 of an account debtor;

16 (k) The creation or transfer of an interest in or lien on real property,
17 including a lease or rents thereunder, except to the extent that provision
18 is made for:

19 (1) Liens on real property in sections 14 and 29 of this act;

20 (2) Fixtures in section 55 of this act;

21 (3) Fixture filings in sections 73, 74, 84, 88 and 91 of this act; and

22 (4) Security agreements covering personal and real property in
23 section 103 of this act;

24 (l) An assignment of a claim arising in tort, other than a commercial
25 tort claim, but sections 36 and 43 of this act apply with respect to
26 proceeds and priorities in proceeds; or

27 (m) An assignment of a deposit account in a consumer transaction,
28 but sections 36 and 43 of this act apply with respect to proceeds and
29 priorities in proceeds.

30 **Sec. 11.** A security interest arising under NRS 104.2401, 104.2505,
31 subsection 3 of 104.2711, or subsection 5 of NRS 104A.2508 is subject to
32 this article. However, until the debtor obtains possession of the goods:

33 1. The security interest is enforceable, even if paragraph (c) of
34 subsection 2 of section 14 of this act has not been satisfied;

35 2. Filing is not required to perfect the security interest;

36 3. The rights of the secured party after default by the debtor are
37 governed by Article 2 or 2A; and

38 4. The security interest has priority over a conflicting security
39 interest created by the debtor.

40 **Sec. 12.** 1. Except as otherwise provided in the Uniform
41 Commercial Code, a security agreement is effective according to its terms
42 between the parties, against purchasers of the collateral, and against
43 creditors.



* S B 6 2 *

1 2. A transaction subject to this article is subject to any applicable
2 rule of law which establishes a different rule for consumers and to
3 chapters 97 and 97A of NRS.

4 3. In case of conflict between this article and a rule of law, statute, or
5 regulation described in subsection 2, the rule of law, statute, or
6 regulation controls. Failure to comply with a statute or regulation
7 described in subsection 2 has only the effect the statute or regulation
8 specifies.

9 4. This article does not:

10 (a) Validate any rate, charge, agreement, or practice that violates a
11 rule of law, statute, or regulation described in subsection 2; or

12 (b) Extend the application of the rule of law, statute, or regulation to a
13 transaction not otherwise subject to it.

14 **Sec. 13.** Except as otherwise provided with respect to consignments
15 or sales of accounts, chattel paper, payment intangibles, or promissory
16 notes, the provisions of this article with regard to rights and obligations
17 apply whether or not title to collateral is in the secured party or the
18 debtor.

19 **Sec. 14.** 1. A security interest attaches to collateral when it
20 becomes enforceable against the debtor with respect to the collateral,
21 unless an agreement expressly postpones the time of attachment.

22 2. Except as otherwise provided in subsections 3 to 9, inclusive, a
23 security interest is enforceable against the debtor and third parties with
24 respect to the collateral only if:

25 (a) Value has been given;

26 (b) The debtor has rights in the collateral or the power to transfer
27 rights in the collateral to a secured party; and

28 (c) One of the following conditions is met:

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

32 (2) The collateral is not a certificated security and is in the
33 possession of the secured party under section 34 of this act pursuant to
34 the debtor's security agreement;

35 (3) The collateral is a certificated security in registered form and
36 the security certificate has been delivered to the secured party under NRS
37 104.8301 pursuant to the debtor's security agreement; or

38 (4) The collateral is deposit accounts, electronic chattel paper,
39 investment property, or letter-of-credit rights, and the secured party has
40 control under section 5, 6, 7 or 8 of this act pursuant to the debtor's
41 security agreement.

42 3. Subsection 2 is subject to NRS 104.4210 on the security interest of
43 a collecting bank, NRS 104.5118 on the security interest of a letter-of-



* S B 6 2 *

1 credit issuer or nominated person, section 11 of this act on a security
2 interest arising under Article 2 or 2A, and section 17 of this act on
3 security interests in investment property.

4 4. A person becomes bound as debtor by a security agreement
5 entered into by another person if, by operation of law other than this
6 article or by contract:

7 (a) The security agreement becomes effective to create a security
8 interest in his property; or

9 (b) He becomes generally obligated for the obligations of the other
10 person, including the obligation secured under the security agreement,
11 and acquires or succeeds to all or substantially all of the assets of the
12 other person.

13 5. If a new debtor becomes bound as debtor by a security agreement
14 entered into by another person:

15 (a) The agreement satisfies paragraph (c) of subsection 2 with respect
16 to existing or after-acquired property of the new debtor to the extent the
17 property is described in the agreement; and

18 (b) Another agreement is not necessary to make a security interest in
19 the property enforceable.

20 6. The attachment of a security interest in collateral gives the
21 secured party the rights to proceeds provided by section 36 of this act and
22 is also attachment of a security interest in a supporting obligation for the
23 collateral.

24 7. The attachment of a security interest in a right to payment or
25 performance secured by a security interest or other lien on personal or
26 real property is also attachment of a security interest in the security
27 interest, mortgage, or other lien.

28 8. The attachment of a security interest in a securities account is also
29 attachment of a security interest in the security entitlements carried in
30 the securities account.

31 9. The attachment of a security interest in a commodity account is
32 also attachment of a security interest in the commodity contracts carried
33 in the commodity account.

34 **Sec. 15. 1.** Except as otherwise provided in subsection 2, a security
35 agreement may create or provide for a security interest in after-acquired
36 collateral.

37 2. A security interest does not attach under a term constituting an
38 after-acquired property clause to:

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

42 (b) A commercial tort claim.



* S B 6 2 *

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

5 **Sec. 16.** 1. A security interest is not invalid or fraudulent against
6 creditors solely because:

- 7 (a) The debtor has the right or ability to:
8 (1) Use, commingle, or dispose of all or part of the collateral,
9 including returned or repossessed goods;
10 (2) Collect, compromise, enforce, or otherwise deal with collateral;
11 (3) Accept the return of collateral or make repossessions; or
12 (4) Use, commingle, or dispose of proceeds; or
13 (b) The secured party fails to require the debtor to account for
14 proceeds or replace collateral.

15 2. This section does not relax the requirements of possession if
16 attachment, perfection, or enforcement of a security interest depends
17 upon possession of the collateral by the secured party.

18 **Sec. 17.** 1. A security interest in favor of a securities intermediary
19 attaches to a person's security entitlement if:

- 20 (a) He buys a financial asset through the securities intermediary in a
21 transaction in which he is obligated to pay the purchase price to the
22 securities intermediary at the time of the purchase; and
23 (b) The securities intermediary credits the financial asset to his
24 securities account before he pays the securities intermediary.

25 2. The security interest described in subsection 1 secures the buyer's
26 obligation to pay for the financial asset.

27 3. A security interest in favor of a person that delivers a certificated
28 security or other financial asset represented by a writing attaches to the
29 security or other financial asset if:

- 30 (a) The security or other financial asset:
31 (1) In the ordinary course of business is transferred by delivery with
32 any necessary endorsement or assignment; and
33 (2) Is delivered under an agreement between persons in the
34 business of dealing with such securities or financial assets; and
35 (b) The agreement calls for delivery against payment.

36 4. The security interest described in subsection 3 secures the
37 obligation to make payment for the delivery.

38 **Sec. 18.** 1. Except as otherwise provided in subsection 4, a secured
39 party shall use reasonable care in the custody and preservation of
40 collateral in the secured party's possession. In the case of chattel paper
41 or an instrument, reasonable care includes taking necessary steps to
42 preserve rights against prior parties unless otherwise agreed.



- 1 2. Except as otherwise provided in subsection 4, if a secured party
2 has possession of collateral:
- 3 (a) Reasonable expenses, including the cost of insurance and payment
4 of taxes or other charges, incurred in the custody, preservation, use, or
5 operation of the collateral are chargeable to the debtor and are secured
6 by the collateral;
- 7 (b) The risk of accidental loss or damage is on the debtor to the extent
8 of a deficiency in any effective insurance coverage;
- 9 (c) The secured party shall keep the collateral identifiable, but
10 fungible collateral may be commingled; and
- 11 (d) The secured party may use or operate the collateral:
- 12 (1) For the purpose of preserving the collateral or its value;
- 13 (2) As permitted by an order of a court having competent
14 jurisdiction; or
- 15 (3) Except in the case of consumer goods, in the manner and to the
16 extent agreed by the debtor.
- 17 3. Except as otherwise provided in subsection 4, a secured party
18 having possession of collateral or control of collateral under section 5, 6,
19 7 or 8 of this act:
- 20 (a) May hold as additional security any proceeds, except money or
21 funds, received from the collateral;
- 22 (b) Shall apply money or funds received from the collateral to reduce
23 the secured obligation, unless remitted to the debtor; and
- 24 (c) May create a security interest in the collateral.
- 25 4. If the secured party is a buyer of accounts, chattel paper, payment
26 intangibles, or promissory notes or a consignor:
- 27 (a) Subsection 1 does not apply unless the secured party is entitled
28 under an agreement:
- 29 (1) To charge back uncollected collateral; or
- 30 (2) Otherwise to full or limited recourse against the debtor or a
31 secondary obligor based on the nonpayment or other default of an
32 account debtor or other obligor on the collateral; and
- 33 (b) Subsections 2 and 3 do not apply.
- 34 **Sec. 19.** If there is no outstanding secured obligation and the
35 secured party is not committed to make advances, incur obligations, or
36 otherwise give value, within 10 days after receiving an authenticated
37 demand by the debtor:
- 38 1. A secured party having control of a deposit account under
39 paragraph (b) of subsection 1 of section 5 of this act shall send to the
40 bank with which the deposit account is maintained an authenticated
41 statement that releases the bank from any further obligation to comply
42 with instructions originated by the secured party;



* S B 6 2 *

- 1 2. A secured party having control of a deposit account under
2 paragraph (c) of subsection 1 of section 5 of this act shall:
3 (a) Pay the debtor the balance on deposit in the deposit account; or
4 (b) Transfer the balance on deposit into a deposit account in the
5 debtor's name;
- 6 3. A secured party, other than a buyer, having control of electronic
7 chattel paper under section 6 of this act shall:
8 (a) Communicate the authoritative copy of the electronic chattel paper
9 to the debtor or its designated custodian;
10 (b) If the debtor designates a custodian that is the designated
11 custodian with which the authoritative copy of the electronic chattel
12 paper is maintained for the secured party, communicate to the custodian
13 an authenticated record releasing the designated custodian from any
14 further obligation to comply with instructions originated by the secured
15 party and instructing the custodian to comply with instructions originated
16 by the debtor; and
17 (c) Take appropriate action to enable the debtor or its designated
18 custodian to make copies of or revisions to the authoritative copy which
19 add or change an identified assignee of the authoritative copy without the
20 consent of the secured party;
- 21 4. A secured party having control of investment property under
22 paragraph (b) of subsection 4 of NRS 104.8106 or under subsection 2 of
23 section 7 of this act shall send to the securities intermediary or
24 commodity intermediary with which the security entitlement or
25 commodity contract is maintained an authenticated record that releases
26 the securities intermediary or commodity intermediary from any further
27 obligation to comply with entitlement orders or directions originated by
28 the secured party; and
- 29 5. A secured party having control of a letter-of-credit right under
30 section 8 of this act shall send to each person having an unfulfilled
31 obligation to pay or deliver proceeds of the letter of credit to the secured
32 party an authenticated release from any further obligation to pay or
33 deliver proceeds of the letter of credit to the secured party.
- 34 **Sec. 20.** 1. Except as otherwise provided in subsection 3, this
35 section applies if:
36 (a) There is no outstanding secured obligation; and
37 (b) The secured party is not committed to make advances, incur
38 obligations, or otherwise give value.
- 39 2. Within 10 days after receiving an authenticated demand by the
40 debtor, a secured party shall send to an account debtor that has received
41 notification of an assignment to the secured party as assignee under
42 subsection 1 of section 69 of this act an authenticated record that



* S B 6 2 *

1 releases the account debtor from any further obligation to the secured
2 party.

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

5 **Sec. 21. 1. In this section:**

6 (a) “Request” means a record of a type described in paragraph (b),
7 (c), or (d).

8 (b) “Request for an accounting” means a record authenticated by a
9 debtor requesting that the recipient provide an accounting of the unpaid
10 obligations secured by collateral and reasonably identifying the
11 transaction or relationship that is the subject of the request.

12 (c) “Request regarding a list of collateral” means a record
13 authenticated by a debtor requesting that the recipient approve or correct
14 a list of what the debtor believes to be the collateral securing an
15 obligation and reasonably identifying the transaction or relationship that
16 is the subject of the request.

17 (d) “Request regarding a statement of account” means a record
18 authenticated by a debtor requesting that the recipient approve or correct
19 a statement indicating what the debtor believes to be the aggregate
20 amount of unpaid obligations secured by collateral as of a specified date
21 and reasonably identifying the transaction or relationship that is the
22 subject of the request.

23 2. Subject to subsections 3, 4, 5 and 6, a secured party, other than a
24 buyer of accounts, chattel paper, payment intangibles, or promissory
25 notes or a consignor, shall comply with a request within 14 days after
26 receipt:

27 (a) In the case of a request for an accounting, by authenticating and
28 sending to the debtor an accounting; and

29 (b) In the case of a request regarding a list of collateral or a request
30 regarding a statement of account, by authenticating and sending to the
31 debtor an approval or correction.

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

36 4. A person that receives a request regarding a list of collateral,
37 claims no interest in the collateral when it receives the request, and
38 claimed an interest in the collateral at an earlier time shall comply with
39 the request within 14 days after receipt by sending to the debtor an
40 authenticated record:

41 (a) Disclaiming any interest in the collateral; and



* S B 6 2 *

1 (b) If known to the recipient, providing the name and mailing address
2 of any assignee of or successor to the recipient's security interest in the
3 collateral.

4 5. A person that receives a request for an accounting or a request
5 regarding a statement of account, claims no interest in the obligations
6 when it receives the request, and claimed an interest in the obligations at
7 an earlier time shall comply with the request within 14 days after receipt
8 by sending to the debtor an authenticated record:

9 (a) Disclaiming any interest in the obligations; and

10 (b) If known to the recipient, providing the name and mailing address
11 of any assignee of or successor to the recipient's interest in the
12 obligations.

13 6. A debtor is entitled without charge to one response to a request
14 under this section during any 6-month period. The secured party may
15 require payment of a charge not exceeding \$25 for each additional
16 response.

17 Sec. 22. Except as otherwise provided in sections 24 to 27, inclusive,
18 of this act, the following rules determine the law governing perfection,
19 the effect of perfection or nonperfection, and the priority of a security
20 interest in collateral:

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

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

28 3. Except as otherwise provided in subsections 4, 5 and 6, while
29 negotiable documents, goods, instruments, money, or tangible chattel
30 paper is located in a jurisdiction, the local law of that jurisdiction
31 governs the effect of perfection or nonperfection and the priority of a
32 nonpossessory security interest.

33 4. While goods are located in a jurisdiction, the local law of that
34 jurisdiction governs perfection of a security interest in the goods by a
35 fixture filing.

36 5. The local law of the jurisdiction in which timber to be cut is
37 located governs perfection of a security interest in the timber.

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

42 Sec. 23. While farm products are located in a jurisdiction, the local
43 law of that jurisdiction governs perfection, the effect of perfection or



* S B 6 2 *

1 *nonperfection, and the priority of an agricultural lien on the farm*
2 *products.*

3 **Sec. 24.** 1. *This section applies to goods covered by a certificate of*
4 *title, even if there is no other relationship between the jurisdiction under*
5 *whose certificate of title the goods are covered and the goods or the*
6 *debtor.*

7 2. *Goods become covered by a certificate of title when a valid*
8 *application for the certificate of title and the applicable fee are delivered*
9 *to the appropriate authority. Goods cease to be covered by a certificate of*
10 *title at the earlier of the time the certificate of title ceases to be effective*
11 *under the law of the issuing jurisdiction or the time the goods become*
12 *covered subsequently by a certificate of title issued by another*
13 *jurisdiction.*

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

20 **Sec. 25.** 1. *The local law of a bank's jurisdiction governs*
21 *perfection, the effect of perfection or nonperfection, and the priority of a*
22 *security interest in a deposit account maintained with that bank.*

23 2. *The following rules determine a bank's jurisdiction for purposes*
24 *of this part:*

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

29 (b) *If paragraph (a) does not apply and an agreement between the*
30 *bank and its customer governing the deposit account expressly provides*
31 *that the agreement is governed by the law of a particular jurisdiction,*
32 *that jurisdiction is the bank's jurisdiction.*

33 (c) *If neither paragraph (a) nor paragraph (b) applies and an*
34 *agreement between the bank and its customer governing the deposit*
35 *account expressly provides that the deposit account is maintained at an*
36 *office in a particular jurisdiction, that jurisdiction is the bank's*
37 *jurisdiction.*

38 (d) *If neither paragraph (a) nor paragraph (b) nor paragraph (c)*
39 *applies, the bank's jurisdiction is the jurisdiction in which the office*
40 *identified in an account statement as the office serving the customer's*
41 *account is located.*



* S B 6 2 *

1 (e) If none of the preceding paragraphs applies, the bank's
2 jurisdiction is the jurisdiction in which the chief executive office of the
3 bank is located.

4 **Sec. 26. 1.** Except as otherwise provided in subsection 3, the
5 following rules apply:

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

10 (b) The local law of the issuer's jurisdiction as specified in subsection
11 4 of NRS 104.8110 governs perfection, the effect of perfection or
12 nonperfection, and the priority of a security interest in an uncertificated
13 security.

14 (c) The local law of the securities intermediary's jurisdiction as
15 specified in subsection 5 of NRS 104.8110 governs perfection, the effect
16 of perfection or nonperfection, and the priority of a security interest in a
17 security entitlement or securities account.

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

22 2. The following rules determine a commodity intermediary's
23 jurisdiction for purposes of this part:

24 (a) If an agreement between the commodity intermediary and
25 commodity customer governing the commodity account expressly
26 provides that a particular jurisdiction is the commodity intermediary's
27 jurisdiction for purposes of this part, this article, or the Uniform
28 Commercial Code, that jurisdiction is the commodity intermediary's
29 jurisdiction.

30 (b) If paragraph (a) does not apply and an agreement between the
31 commodity intermediary and commodity customer governing the
32 commodity account expressly provides that the agreement is governed by
33 the law of a particular jurisdiction, that jurisdiction is the commodity
34 intermediary's jurisdiction.

35 (c) If neither paragraph (a) nor paragraph (b) applies and an
36 agreement between the commodity intermediary and commodity
37 customer governing the commodity account expressly provides that the
38 commodity account is maintained at an office in a particular jurisdiction,
39 that jurisdiction is the commodity intermediary's jurisdiction.

40 (d) If neither paragraph (a) nor paragraph (b) nor paragraph (c)
41 applies, the commodity intermediary's jurisdiction is the jurisdiction in
42 which the office identified in an account statement as the office serving
43 the commodity customer's account is located.



* S B 6 2 *

1 (e) If none of the preceding paragraphs applies, the commodity
2 intermediary's jurisdiction is the jurisdiction in which the chief executive
3 office of the commodity intermediary is located.

4 3. The local law of the jurisdiction in which the debtor is located
5 governs:

- 6 (a) Perfection of a security interest in investment property by filing;
7 (b) Automatic perfection of a security interest in investment property
8 granted by a broker or securities intermediary; and
9 (c) Automatic perfection of a security interest in a commodity contract
10 or commodity account granted by a commodity intermediary.

11 **Sec. 27. 1.** Subject to subsection 3, the local law of the issuer's
12 jurisdiction or a nominated person's jurisdiction governs perfection, the
13 effect of perfection or nonperfection, and the priority of a security
14 interest in a letter-of-credit right if the issuer's jurisdiction or nominated
15 person's jurisdiction is a state.

16 2. For purposes of this part, an issuer's jurisdiction or nominated
17 person's jurisdiction is the jurisdiction whose law governs the liability of
18 the issuer or nominated person with respect to the letter-of-credit right as
19 provided in NRS 104.5116.

20 3. This section does not apply to a security interest that is perfected
21 only under subsection 4 of section 29 of this act.

22 **Sec. 28. 1.** In this section, "place of business" means a place
23 where a debtor conducts its affairs.

24 2. Except as otherwise provided in this section, the following rules
25 determine a debtor's location:

- 26 (a) A natural person is located at his residence.
27 (b) Any other debtor having only one place of business is located at its
28 place of business.
29 (c) Any other debtor having more than one place of business is located
30 at its chief executive office.

31 3. Subsection 2 applies only if a debtor's residence, place of business,
32 or chief executive office, as applicable, is located in a jurisdiction whose
33 law requires information concerning the existence of a nonpossessory
34 security interest to be made generally available in a filing, recording, or
35 registration system as a condition or result of the security interest's
36 obtaining priority over the rights of a lien creditor with respect to the
37 collateral. If subsection 2 does not apply, the debtor is deemed to be
38 located in the District of Columbia.

39 4. A person that ceases to exist, have a residence, or have a place of
40 business continues to be located in the jurisdiction specified by
41 subsections 2 and 3.

42 5. A registered organization that is organized under the law of a state
43 is located in that state.



* S B 6 2 *

- 1 6. Except as otherwise provided in subsection 9, a registered
2 organization that is organized under the law of the United States and a
3 branch or agency of a bank that is not organized under the law of the
4 United States or a state are located or deemed to be located:
- 5 (a) In the state that the law of the United States designates, if the law
6 designates a state of location;
- 7 (b) In the state that the registered organization, branch, or agency
8 designates, if the law of the United States authorizes the registered
9 organization, branch, or agency to designate its state of location; or
- 10 (c) In the District of Columbia, if neither paragraph (a) nor
11 paragraph (b) applies.
- 12 7. A registered organization continues to be located in the
13 jurisdiction specified by subsection 5 or 6 notwithstanding:
- 14 (a) The suspension, revocation, forfeiture, or lapse of the registered
15 organization's status as such in its jurisdiction of organization; or
- 16 (b) The dissolution, winding up, or cancellation of the existence of the
17 registered organization.
- 18 8. The United States is deemed to be located in the District of
19 Columbia.
- 20 9. A branch or agency of a bank that is not organized under the law
21 of the United States or a state is located in the state in which the branch
22 or agency is licensed, if all branches and agencies of the bank are
23 licensed in only one state.
- 24 10. A foreign air carrier under the Federal Aviation Act of 1958, as
25 amended, is located at the designated office of the agent upon which
26 service of process may be made on behalf of the carrier.
- 27 11. This section applies only for purposes of this part.
- 28 **Sec. 29. 1.** Except as otherwise provided in this section and section
29 30 of this act, a security interest is perfected if it has attached and all of
30 the applicable requirements for perfection in sections 31 to 37, inclusive,
31 of this act have been satisfied. A security interest is perfected when it
32 attaches if the applicable requirements are satisfied before the security
33 interest attaches.
- 34 2. An agricultural lien is perfected if it has become effective and all
35 of the applicable requirements for perfection in section 31 of this act
36 have been satisfied. An agricultural lien is perfected when it becomes
37 effective if the applicable requirements are satisfied before the
38 agricultural lien becomes effective.
- 39 3. A security interest or agricultural lien is perfected continuously if
40 it is originally perfected in one manner under this article and is later
41 perfected in another manner under this article, without an intermediate
42 period when it was unperfected.



1 4. Perfection of a security interest in collateral also perfects a
2 security interest in a supporting obligation for the collateral.

3 5. Perfection of a security interest in a right to payment or
4 performance also perfects a security interest in a security interest,
5 mortgage, or other lien on personal or real property securing the right.

6 6. Perfection of a security interest in a securities account also
7 perfects a security interest in the security entitlements carried in the
8 securities account.

9 7. Perfection of a security interest in a commodity account also
10 perfects a security interest in the commodity contracts carried in the
11 commodity account.

12 **Sec. 30.** The following security interests are perfected when they
13 attach:

14 1. A purchase-money security interest in consumer goods, except as
15 otherwise provided in subsection 2 of section 32 of this act with respect to
16 consumer goods that are subject to a statute or treaty described in
17 subsection 1 of that section;

18 2. An assignment of accounts or payment intangibles which does not
19 by itself or in conjunction with other assignments to the same assignee
20 transfer a significant part of the assignor's outstanding accounts or
21 payment intangibles;

22 3. A sale of a payment intangible;

23 4. A sale of a promissory note;

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

26 6. A security interest arising under NRS 104.2401, 104.2505,
27 subsection 3 of NRS 104.2711, or subsection 5 of NRS 104A.2508, until
28 the debtor obtains possession of the collateral;

29 7. A security interest of a collecting bank arising under NRS
30 104.4210;

31 8. A security interest of an issuer or nominated person arising under
32 NRS 104.5118;

33 9. A security interest arising in the purchase or delivery of a
34 financial asset under section 17 of this act;

35 10. A security interest in investment property created by a broker or
36 securities intermediary;

37 11. A security interest in a commodity contract or a commodity
38 account created by a commodity intermediary;

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

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



* S B 6 2 *

1 **Sec. 31.** 1. Except as otherwise provided in subsection 2 or
2 subsection 2 of section 33 of this act, a financing statement must be filed
3 to perfect all security interests and agricultural liens.

4 2. The filing of a financing statement is not necessary to perfect a
5 security interest:

6 (a) That is perfected under subsection 4, 5, 6 or 7 of section 29 of this
7 act;

8 (b) That is perfected under section 30 of this act when it attaches;

9 (c) In property subject to a statute, regulation, or treaty described in
10 subsection 1 of section 32 of this act;

11 (d) In goods in possession of a bailee which is perfected under
12 paragraph (a) or (b) of subsection 4 of section 33 of this act;

13 (e) In certificated securities, documents, goods, or instruments which
14 is perfected without filing or possession under subsection 5, 6 or 7 of
15 section 33 of this act;

16 (f) In collateral in the secured party's possession under section 34 of
17 this act;

18 (g) In a certificated security which is perfected by delivery of the
19 security certificate to the secured party under section 34 of this act;

20 (h) In deposit accounts, electronic chattel paper, investment property,
21 or letter-of-credit rights which is perfected by control under section 35 of
22 this act;

23 (i) In proceeds which is perfected under section 36 of this act; or

24 (j) That is perfected under section 37 of this act.

25 3. If a secured party assigns a perfected security interest or
26 agricultural lien, a filing under this article is not required to continue the
27 perfected status of the security interest against creditors of and
28 transferees from the original debtor.

29 **Sec. 32.** 1. Except as otherwise provided in subsection 4, the filing
30 of a financing statement is not necessary or effective to perfect a security
31 interest in property subject to:

32 (a) A statute, regulation, or treaty of the United States whose
33 requirements for a security interest's obtaining priority over the rights of
34 a lien creditor with respect to the property preempt subsection 1 of
35 section 31 of this act;

36 (b) Chapter 105 of NRS, NRS 482.423 to 482.431, inclusive, 488.1793
37 to 488.1827, inclusive, and 489.501 to 489.581, inclusive; or

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

42 2. Compliance with the requirements of a statute, regulation, or
43 treaty described in subsection 1 for obtaining priority over the rights of a



* S B 6 2 *

- 1 *lien creditor is equivalent to the filing of a financing statement under this*
2 *article. Except as otherwise provided in subsection 4, section 34 of this*
3 *act and subsections 4 and 5 of section 37 of this act for goods covered by*
4 *a certificate of title, a security interest in property subject to a statute,*
5 *regulation, or treaty described in subsection 1 may be perfected only by*
6 *compliance with those requirements, and a security interest so perfected*
7 *remains perfected notwithstanding a change in the use or transfer of*
8 *possession of the collateral.*
- 9 3. *Except as otherwise provided in subsection 4 and subsections 4*
10 *and 5 of section 37 of this act, duration and renewal of perfection of a*
11 *security interest perfected by compliance with the requirements*
12 *prescribed by a statute, regulation, or treaty described in subsection 1 are*
13 *governed by the statute, regulation, or treaty. In other respects, the*
14 *security interest is subject to this article.*
- 15 4. *During any period in which collateral is inventory held for sale or*
16 *lease by a person or leased by that person as lessor and that person is in*
17 *the business of selling or leasing goods of that kind, this section does not*
18 *apply to a security interest in that collateral created by that person as*
19 *debtor.*
- 20 **Sec. 33. 1.** *A security interest in chattel paper, negotiable*
21 *documents, instruments, or investment property may be perfected by*
22 *filing.*
- 23 2. *Except as otherwise provided in subsections 3 and 4 of section 36*
24 *of this act for proceeds:*
- 25 (a) *A security interest in a deposit account may be perfected only by*
26 *control under section 35 of this act;*
- 27 (b) *A security interest in a letter-of-credit right may be perfected only*
28 *by control under section 35 of this act, except as otherwise provided in*
29 *subsection 4 of section 29 of this act; and*
- 30 (c) *A security interest in money may be perfected only by the secured*
31 *party's taking possession under section 34 of this act.*
- 32 3. *While goods are in the possession of a bailee that has issued a*
33 *negotiable document covering the goods:*
- 34 (a) *A security interest in the goods may be perfected by perfecting a*
35 *security interest in the document; and*
- 36 (b) *A security interest perfected in the document has priority over any*
37 *security interest that becomes perfected in the goods by another method*
38 *during that time.*
- 39 4. *While goods are in the possession of a bailee that has issued a*
40 *nonnegotiable document covering the goods, a security interest in the*
41 *goods may be perfected by:*
- 42 (a) *Issuance of a document in the name of the secured party;*



1 (b) *The bailee's receipt of notification of the secured party's interest;*
2 or

3 (c) *Filing as to the goods.*

4 5. *A security interest in certificated securities, negotiable documents,*
5 *or instruments is perfected without filing or the taking of possession for a*
6 *period of 20 days after the time it attaches to the extent that it arises for*
7 *new value given under an authenticated security agreement.*

8 6. *A perfected security interest in a negotiable document or goods in*
9 *possession of a bailee, other than one that has issued a negotiable*
10 *document for the goods, remains perfected for 20 days without filing if*
11 *the secured party makes available to the debtor the goods or documents*
12 *representing the goods for the purpose of:*

13 (a) *Ultimate sale or exchange; or*

14 (b) *Loading, unloading, storing, shipping, transshipping,*
15 *manufacturing, processing, or otherwise dealing with them in a manner*
16 *preliminary to their sale or exchange.*

17 7. *A perfected security interest in a certificated security or instrument*
18 *remains perfected for 20 days without filing if the secured party delivers*
19 *the security certificate or instrument to the debtor for the purpose of:*

20 (a) *Ultimate sale or exchange; or*

21 (b) *Presentation, collection, enforcement, renewal, or registration of*
22 *transfer.*

23 8. *After the 20-day period specified in subsection 5, 6 or 7 expires,*
24 *perfection depends upon compliance with this article.*

25 **Sec. 34.** 1. *Except as otherwise provided in subsection 2, a secured*
26 *party may perfect a security interest in negotiable documents, goods,*
27 *instruments, money, or tangible chattel paper by taking possession of the*
28 *collateral. A secured party may perfect a security interest in certificated*
29 *securities by taking delivery of the certificated securities under NRS*
30 *104.8301.*

31 2. *With respect to goods covered by a certificate of title issued by this*
32 *state, a secured party may perfect a security interest in the goods by*
33 *taking possession of the goods only in the circumstances described in*
34 *subsection 5 of section 37 of this act.*

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

40 (a) *The person in possession authenticates a record acknowledging*
41 *that it holds possession of the collateral for the secured party's benefit; or*



* S B 6 2 *

1 (b) The person takes possession of the collateral after having
2 authenticated a record acknowledging that it will hold possession of
3 collateral for the secured party's benefit.

4 4. If perfection of a security interest depends upon possession of the
5 collateral by a secured party, perfection occurs no earlier than the time
6 the secured party takes possession and continues only while he retains
7 possession.

8 5. A security interest in a certificated security in registered form is
9 perfected by delivery when delivery of the certificated security occurs
10 under NRS 104.8301 and remains perfected by delivery until the debtor
11 obtains possession of the security certificate.

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

14 7. If a person acknowledges that it holds possession for the secured
15 party's benefit:

16 (a) The acknowledgment is effective under subsection 3 or subsection
17 1 of NRS 104.8301, even if the acknowledgment violates the rights of a
18 debtor; and

19 (b) Unless the person otherwise agrees or law other than this article
20 otherwise provides, he does not owe any duty to the secured party and is
21 not required to confirm the acknowledgment to another person.

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

27 (a) To hold possession of the collateral for the secured party's benefit;
28 or

29 (b) To redeliver the collateral to the secured party.

30 9. A secured party does not relinquish possession, even if a delivery
31 under subsection 8 violates the rights of a debtor. A person to which
32 collateral is delivered under subsection 8 does not owe any duty to the
33 secured party and is not required to confirm the delivery to another
34 person unless he otherwise agrees or law other than this article otherwise
35 provides.

36 Sec. 35. 1. A security interest in investment property, deposit
37 accounts, letter-of-credit rights, or electronic chattel paper may be
38 perfected by control of the collateral under section 5, 6, 7 or 8 of this act.

39 2. A security interest in deposit accounts, electronic chattel paper, or
40 letter-of-credit rights is perfected by control under section 5, 6, 7 or 8 of
41 this act when the secured party obtains control and remains perfected by
42 control only while the secured party retains control.



* S B 6 2 *

- 1 3. A security interest in investment property is perfected by control
2 under section 7 of this act from the time the secured party obtains control
3 and remains perfected by control until:
4 (a) The secured party does not have control; and
5 (b) One of the following occurs:
6 (1) If the collateral is a certificated security, the debtor has or
7 acquires possession of the security certificate;
8 (2) If the collateral is an uncertificated security, the issuer has
9 registered or registers the debtor as the registered owner; or
10 (3) If the collateral is a security entitlement, the debtor is or
11 becomes the entitlement holder.
- 12 **Sec. 36. 1.** Except as otherwise provided in this article and in
13 subsection 2 of NRS 104.2403:
14 (a) A security interest or agricultural lien continues in collateral
15 notwithstanding sale, lease, license, exchange, or other disposition
16 thereof unless the secured party authorized the disposition free of the
17 security interest or agricultural lien; and
18 (b) A security interest attaches to any identifiable proceeds of
19 collateral.
- 20 2. Proceeds that are commingled with other property are identifiable
21 proceeds:
22 (a) If the proceeds are goods, to the extent provided by section 57 of
23 this act; and
24 (b) If the proceeds are not goods, to the extent that the secured party
25 identifies the proceeds by a method of tracing, including application of
26 equitable principles, that is permitted under law other than this article
27 with respect to commingled property of the type involved.
- 28 3. A security interest in proceeds is a perfected security interest if the
29 security interest in the original collateral was perfected.
- 30 4. A perfected security interest in proceeds becomes unperfected on
31 the 21st day after the security interest attaches to the proceeds unless:
32 (a) The following conditions are satisfied:
33 (1) A filed financing statement covers the original collateral;
34 (2) The proceeds are collateral in which a security interest may be
35 perfected by filing in the office in which the financing statement has
36 been filed; and
37 (3) The proceeds are not acquired with cash proceeds;
38 (b) The proceeds are identifiable cash proceeds; or
39 (c) The security interest in the proceeds is perfected when the security
40 interest attaches to the proceeds or within 20 days thereafter.
- 41 5. If a filed financing statement covers the original collateral, a
42 security interest in proceeds which remains perfected under paragraph
43 (a) of subsection 4 becomes unperfected at the later of:



* S B 6 2 *

1 (a) When the effectiveness of the filed financing statement lapses
2 under section 87 of this act or is terminated under section 85 of this act;
3 or

4 (b) The 21st day after the security interest attaches to the proceeds.

5 **Sec. 37. 1.** A security interest perfected pursuant to the law of the
6 jurisdiction designated in subsection 1 of section 22 of this act or
7 subsection 3 of section 26 of this act remains perfected until the earliest
8 of:

9 (a) The time perfection would have ceased under the law of that
10 jurisdiction;

11 (b) The expiration of 4 months after a change of the debtor's location
12 to another jurisdiction; or

13 (c) The expiration of 1 year after a transfer of collateral to a person
14 that thereby becomes a debtor and is located in another jurisdiction.

15 2. If a security interest described in subsection 1 becomes perfected
16 under the law of the other jurisdiction before the earliest time or event
17 described in that subsection, it remains perfected thereafter. If the
18 security interest does not become perfected under the law of the other
19 jurisdiction before the earliest time or event, it becomes unperfected and
20 is deemed never to have been perfected as against a purchaser of the
21 collateral for value.

22 3. A possessory security interest in collateral, other than goods
23 covered by a certificate of title and as-extracted collateral consisting of
24 goods, remains continuously perfected if:

25 (a) The collateral is located in one jurisdiction and subject to a
26 security interest perfected under the law of that jurisdiction;

27 (b) Thereafter the collateral is brought into another jurisdiction; and

28 (c) Upon entry into the other jurisdiction, the security interest is
29 perfected under the law of the other jurisdiction.

30 4. Except as otherwise provided in subsection 5, a security interest in
31 goods covered by a certificate of title which is perfected by any method
32 under the law of another jurisdiction when the goods become covered by
33 a certificate of title from this state remains perfected until the security
34 interest would have become unperfected under the law of the other
35 jurisdiction had the goods not become so covered.

36 5. A security interest described in subsection 4 becomes unperfected
37 as against a purchaser of the goods for value and is deemed never to
38 have been perfected as against a purchaser of the goods for value if the
39 applicable requirements for perfection under subsection 2 of section 32
40 of this act or under section 34 of this act are not satisfied before the
41 earlier of:



* S B 6 2 *

1 (a) The time the security interest would have become unperfected
2 under the law of the other jurisdiction had the goods not become covered
3 by a certificate of title from this state; or

4 (b) The expiration of 4 months after the goods had become so
5 covered.

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

12 (a) The time the security interest would have become unperfected
13 under the law of that jurisdiction; or

14 (b) The expiration of 4 months after a change of the applicable
15 jurisdiction to another jurisdiction.

16 7. If a security interest described in subsection 6 becomes perfected
17 under the law of the other jurisdiction before the earlier of the time or
18 the end of the period described in that subsection, it remains perfected
19 thereafter. If the security interest does not become perfected under the
20 law of the other jurisdiction before the earlier of that time or the end of
21 that period, it becomes unperfected and is deemed never to have been
22 perfected as against a purchaser of the collateral for value.

23 **Sec. 38. 1.** An unperfected security interest or agricultural lien is
24 subordinate to the rights of:

25 (a) A person entitled to priority under section 43 of this act; and

26 (b) A person that becomes a lien creditor before the earlier of the time
27 the security interest or agricultural lien is perfected or a financing
28 statement covering the collateral is filed.

29 2. Except as otherwise provided in subsection 5, a buyer, other than a
30 secured party, of chattel paper, documents, goods, instruments, or a
31 security certificate takes free of a security interest or agricultural lien if
32 the buyer gives value and receives delivery of the collateral without
33 knowledge of the security interest or agricultural lien and before it is
34 perfected.

35 3. Except as otherwise provided in subsection 5, a lessee of goods
36 takes free of a security interest or agricultural lien if he gives value and
37 receives delivery of the collateral without knowledge of the security
38 interest or agricultural lien and before it is perfected.

39 4. A licensee of a general intangible or a buyer, other than a secured
40 party, of accounts, general intangibles, or investment property other than
41 a certificated security takes free of a security interest if he gives value
42 without knowledge of the security interest and before it is perfected.



* S B 6 2 *

1 5. Except as otherwise provided in sections 41 and 42 of this act, if a
2 person files a financing statement with respect to a purchase-money
3 security interest before or within 20 days after the debtor receives delivery
4 of the collateral, the security interest takes priority over the rights of a
5 buyer, lessee, or lien creditor which arise between the time the security
6 interest attaches and the time of filing.

7 Sec. 39. For purposes of determining the rights of creditors of, and
8 purchasers for value of an account or chattel paper from, a debtor that
9 has sold an account or chattel paper, while the buyer's security interest is
10 unperfected, the debtor has rights and title to the account or chattel
11 paper identical to those the debtor sold.

12 Sec. 40. 1. Except as otherwise provided in subsection 2, for
13 purposes of determining the rights of creditors of, and purchasers for
14 value of goods from, a consignee, while the goods are in the possession
15 of the consignee, the consignee is deemed to have rights and title to the
16 goods identical to those the consignor had or had power to transfer.

17 2. For purposes of determining the rights of a creditor of a
18 consignee, law other than this article determines the rights and title of a
19 consignee while goods are in the consignee's possession if, under this
20 part, a perfected security interest held by the consignor would have
21 priority over the rights of the creditor.

22 Sec. 41. 1. Except as otherwise provided in subsection 5, a buyer in
23 the ordinary course of business, other than a person buying farm
24 products from a person engaged in farming operations, takes free of a
25 security interest created by the buyer's seller, even if the security interest
26 is perfected and the buyer knows of its existence.

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

- 31 (a) Without knowledge of the security interest;
32 (b) For value;
33 (c) Primarily for his personal, family, or household purposes; and
34 (d) Before the filing of a financing statement covering the goods.

35 3. To the extent that it affects the priority of a security interest over a
36 buyer of goods under subsection 2, the period of effectiveness of a filing
37 made in the jurisdiction in which the seller is located is governed by
38 subsections 1 and 2 of section 37 of this act.

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

42 5. Subsections 1 and 2 do not affect a security interest in goods in the
43 possession of the secured party under section 34 of this act.



* S B 6 2 *

1 **Sec. 42. 1.** *In this section, “licensee in ordinary course of*
2 *business” means a person that becomes a licensee of a general intangible*
3 *in good faith, without knowledge that the license violates the rights of*
4 *another person in the general intangible, and in the ordinary course*
5 *from a person in the business of licensing general intangibles of that*
6 *kind. A person becomes a licensee in the ordinary course if the license to*
7 *him comports with the usual or customary practices in the kind of*
8 *business in which the licensor is engaged or with the licensor’s own*
9 *usual or customary practices.*

10 **2.** *A licensee in the ordinary course of business takes his rights under*
11 *a nonexclusive license free of a security interest in the general intangible*
12 *created by the licensor, even if the security interest is perfected and he*
13 *knows of its existence.*

14 **3.** *A lessee in the ordinary course of business takes his leasehold*
15 *interest free of a security interest in the goods created by the lessor, even*
16 *if the security interest is perfected and he knows of its existence.*

17 **Sec. 43. 1.** *Except as otherwise provided in this section, priority*
18 *among conflicting security interests and agricultural liens in the same*
19 *collateral is determined according to the following rules:*

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

25 **(b)** *A perfected security interest or agricultural lien has priority over a*
26 *conflicting unperfected security interest or agricultural lien.*

27 **(c)** *The first security interest or agricultural lien to attach or become*
28 *effective has priority if conflicting security interests and agricultural*
29 *liens are unperfected.*

30 **2.** *For the purposes of paragraph (a) of subsection 1:*

31 **(a)** *The time of filing or perfection as to a security interest in*
32 *collateral is also the time of filing or perfection as to a security interest in*
33 *proceeds; and*

34 **(b)** *The time of filing or perfection as to a security interest in*
35 *collateral supported by a supporting obligation is also the time of filing*
36 *or perfection as to a security interest in the supporting obligation.*

37 **3.** *Except as otherwise provided in subsection 6, a security interest in*
38 *collateral which qualifies for priority over a conflicting security interest*
39 *under section 48, 49, 50, 51 or 52 of this act also has priority over a*
40 *conflicting security interest in:*

41 **(a)** *Any supporting obligation for the collateral; and*

42 **(b)** *Proceeds of the collateral if:*

43 **(1)** *The security interest in proceeds is perfected;*



* S B 6 2 *

- 1 (2) The proceeds are cash proceeds or of the same type as the
2 collateral; and
- 3 (3) In the case of proceeds that are proceeds of proceeds, all
4 intervening proceeds are cash proceeds, proceeds of the same type as the
5 collateral, or an account relating to the collateral.
- 6 4. Subject to subsection 5 and except as otherwise provided in
7 subsection 6, if a security interest in chattel paper, deposit accounts,
8 negotiable documents, instruments, investment property, or letter-of-
9 credit rights is perfected by a method other than filing, conflicting
10 perfected security interests in proceeds of the collateral rank according to
11 priority in time of filing.
- 12 5. Subsection 4 applies only if the proceeds of the collateral are not
13 cash proceeds, chattel paper, negotiable documents, instruments,
14 investment property, or letter-of-credit rights.
- 15 6. Subsections 1 to 5, inclusive, are subject to:
- 16 (a) Subsection 7 and the other provisions of this part;
- 17 (b) NRS 104.4210 with respect to a security interest of a collecting
18 bank;
- 19 (c) NRS 104.5118 with respect to a security interest of an issuer or
20 nominated person; and
- 21 (d) Section 11 of this act with respect to a security interest arising
22 under Article 2 or 2A.
- 23 7. A perfected agricultural lien on collateral has priority over a
24 conflicting security interest in or agricultural lien on the same collateral
25 if the statute creating the agricultural lien so provides.
- 26 **Sec. 44.** 1. Except as otherwise provided in subsection 3, for
27 purposes of determining the priority of a perfected security interest under
28 subsection 1 of section 43 of this act, perfection of the security interest
29 dates from the time an advance is made to the extent that the security
30 interest secures an advance that:
- 31 (a) Is made while the security interest is perfected only:
- 32 (1) Under section 30 of this act when it attaches; or
- 33 (2) Temporarily under subsection 5, 6, or 7 of section 33 of this act;
- 34 and
- 35 (b) Is not made pursuant to a commitment entered into before or
36 while the security interest is perfected by a method other than under
37 section 30 of this act or subsection 5, 6 or 7 of section 33 of this act.
- 38 2. Except as otherwise provided in subsection 3, a security interest is
39 subordinate to the rights of a person that becomes a lien creditor while
40 the security interest is perfected only to the extent that it secures advances
41 made more than 45 days after he becomes a lien creditor unless the
42 advance is made:
- 43 (a) Without knowledge of the lien; or



* S B 6 2 *

1 (b) Pursuant to a commitment entered into without knowledge of the
2 lien.

3 3. Subsections 1 and 2 do not apply to a security interest held by a
4 secured party that is a buyer of accounts, chattel paper, payment
5 intangibles, or promissory notes or a consignor.

6 4. Except as otherwise provided in subsection 5, a buyer of goods
7 other than a buyer in the ordinary course of business takes free of a
8 security interest to the extent that it secures advances made after the
9 earlier of:

10 (a) The time the secured party acquires knowledge of the buyer's
11 purchase; or

12 (b) Forty-five days after the purchase.

13 5. Subsection 4 does not apply if the advance is made pursuant to a
14 commitment entered into without knowledge of the buyer's purchase and
15 before the expiration of the 45-day period.

16 6. Except as otherwise provided in subsection 7, a lessee of goods,
17 other than a lessee in ordinary course of business, takes the leasehold
18 free of a security interest to the extent that it secures advances made after
19 the earlier of:

20 (a) The time the secured party acquires knowledge of the lease; or

21 (b) Forty-five days after the lease contract becomes enforceable.

22 7. Subsection 6 does not apply if the advance is made pursuant to a
23 commitment entered into without knowledge of the lease and before the
24 expiration of the 45-day period.

25 **Sec. 45. 1.** Subject to subsection 2 and except as otherwise
26 provided in subsection 7, a perfected purchase-money security interest in
27 inventory has priority over a conflicting security interest in the same
28 inventory, has priority over a conflicting security interest in chattel paper
29 or an instrument constituting proceeds of the inventory and in proceeds
30 of the chattel paper, if so provided in section 51 of this act, and, except as
31 otherwise provided in section 48 of this act, also has priority in
32 identifiable cash proceeds of the inventory to the extent the identifiable
33 cash proceeds are received on or before the delivery of the inventory to a
34 buyer, if:

35 (a) The purchase-money security interest is perfected when the debtor
36 receives possession of the inventory;

37 (b) The purchase-money secured party sends an authenticated
38 notification to the holder of the conflicting security interest;

39 (c) The holder of the conflicting security interest receives the
40 notification within 5 years before the debtor receives possession of the
41 inventory; and



* S B 6 2 *

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

4 2. Paragraphs (b), (c) and (d) of subsection 1 apply only if the holder
5 of the conflicting security interest had filed a financing statement
6 covering the same types of inventory:

7 (a) If the purchase-money security interest is perfected by filing,
8 before the date of the filing; or

9 (b) If the purchase-money security interest is temporarily perfected
10 without filing or possession under subsection 6 of section 33 of this act,
11 before the beginning of the 20-day period thereunder.

12 3. Subject to subsection 5 and except as otherwise provided in
13 subsection 7, a perfected purchase-money security interest in livestock
14 that are farm products has priority over a conflicting security interest in
15 the same livestock, and, except as otherwise provided in section 48 of this
16 act, a perfected security interest in their identifiable proceeds and
17 identifiable products in their unmanufactured states also has priority, if:

18 (a) The purchase-money security interest is perfected when the debtor
19 receives possession of the livestock;

20 (b) The purchase-money secured party sends an authenticated
21 notification to the holder of the conflicting security interest;

22 (c) The holder of the conflicting security interest receives the
23 notification within 6 months before the debtor receives possession of the
24 livestock; and

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

28 4. Paragraphs (b), (c) and (d) of subsection 3 apply only if the holder
29 of the conflicting security interest had filed a financing statement
30 covering the same types of livestock:

31 (a) If the purchase-money security interest is perfected by filing,
32 before the date of the filing; or

33 (b) If the purchase-money security interest is temporarily perfected
34 without filing or possession under subsection 6 of section 33 of this act,
35 before the beginning of the 20-day period thereunder.

36 5. Except as otherwise provided in subsection 7, a perfected
37 purchase-money security interest in goods other than inventory or
38 livestock has priority over a conflicting security interest in the same
39 goods, and, except as otherwise provided in section 48 of this act, a
40 perfected security interest in its identifiable proceeds also has priority, if
41 the purchase-money security interest is perfected when the debtor
42 receives possession of the collateral or within 20 days thereafter.



* S B 6 2 *

1 6. Except as otherwise provided in subsection 7, a perfected
2 purchase-money security interest in software has priority over a
3 conflicting security interest in the same collateral, and, except as
4 otherwise provided in section 48 of this act, a perfected security interest
5 in its identifiable proceeds also has priority, to the extent that the
6 purchase-money security interest in the goods in which the software was
7 acquired for use has priority in the goods and proceeds of the goods
8 under this section.

9 7. If more than one security interest qualifies for priority in the same
10 collateral under subsection 1, 3, 5 or 6:

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

15 (b) In all other cases, subsection 1 of section 43 of this act applies to
16 the qualifying security interests.

17 Sec. 46. 1. Except as otherwise provided in subsection 2, a security
18 interest created by a debtor is subordinate to a security interest in the
19 same collateral created by another person if:

20 (a) The debtor acquired the collateral subject to the security interest
21 created by the other person;

22 (b) The security interest created by the other person was perfected
23 when the debtor acquired the collateral; and

24 (c) There is no period thereafter when the security interest is
25 unperfected.

26 2. Subsection 1 subordinates a security interest only if the security
27 interest:

28 (a) Otherwise would have priority solely under subsection 1 of section
29 43 of this act or section 45 of this act; or

30 (b) Arose solely under subsection 3 of NRS 104.2711 or subsection 5
31 of NRS 104A.2508.

32 Sec. 47. 1. Subject to subsection 2, a security interest created by a
33 new debtor which is perfected by a filed financing statement that is
34 effective solely under section 80 of this act in collateral in which a new
35 debtor has or acquires rights is subordinate to a security interest in the
36 same collateral which is perfected other than by a filed financing
37 statement that is effective solely under that section.

38 2. The other provisions of this part determine the priority among
39 conflicting security interests in the same collateral perfected by filed
40 financing statements that are effective solely under section 80 of this act.
41 However, if the security agreements to which a new debtor became
42 bound as debtor were not entered into by the same original debtor, the



1 *conflicting security interests rank according to priority in time of the new*
2 *debtor's having become bound.*

3 **Sec. 48.** *The following rules govern priority among conflicting*
4 *security interests in the same deposit account:*

5 1. *A security interest held by a secured party having control of the*
6 *deposit account under section 5 of this act has priority over a conflicting*
7 *security interest held by a secured party that does not have control.*

8 2. *Except as otherwise provided in subsections 3 and 4, security*
9 *interests perfected by control under section 35 of this act rank according*
10 *to priority in time of obtaining control.*

11 3. *Except as otherwise provided in subsection 4, a security interest*
12 *held by the bank with which the deposit account is maintained has*
13 *priority over a conflicting security interest held by another secured party.*

14 4. *A security interest perfected by control under paragraph (c) of*
15 *subsection 1 of section 5 of this act has priority over a security interest*
16 *held by the bank with which the deposit account is maintained.*

17 **Sec. 49.** *The following rules govern priority among conflicting*
18 *security interests in the same investment property:*

19 1. *A security interest held by a secured party having control of*
20 *investment property under section 7 of this act has priority over a security*
21 *interest held by a secured party that does not have control of the*
22 *investment property.*

23 2. *A security interest in a certificated security in registered form*
24 *which is perfected by taking delivery under subsection 1 of section 34 of*
25 *this act and not by control under section 35 of this act has priority over a*
26 *conflicting security interest perfected by a method other than control.*

27 3. *Except as otherwise provided in subsections 4 and 5, conflicting*
28 *security interests held by secured parties each of which has control under*
29 *section 7 of this act rank according to priority in time of:*

30 (a) *If the collateral is a security, obtaining control;*

31 (b) *If the collateral is a security entitlement carried in a securities*
32 *account:*

33 (1) *The secured party's becoming the person for which the*
34 *securities account is maintained, if the secured party obtained control*
35 *under paragraph (a) of subsection 4 of NRS 104.8106;*

36 (2) *The securities intermediary's agreement to comply with the*
37 *secured party's entitlement orders with respect to security entitlements*
38 *carried or to be carried in the securities account, if the secured party*
39 *obtained control under paragraph (b) of that subsection; or*

40 (3) *If the secured party obtained control through another person*
41 *under paragraph (c) of that subsection, the time on which priority would*
42 *be based under this paragraph if the other person were the secured party;*
43 *or*



* S B 6 2 *

1 (c) *If the collateral is a commodity contract carried with a commodity*
2 *intermediary, the satisfaction of the requirement for control specified in*
3 *paragraph (b) of subsection 2 of section 7 of this act with respect to*
4 *commodity contracts carried or to be carried with the commodity*
5 *intermediary.*

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

10 5. *A security interest held by a commodity intermediary in a*
11 *commodity contract or a commodity account maintained with the*
12 *commodity intermediary has priority over a conflicting security interest*
13 *held by another secured party.*

14 6. *Conflicting security interests granted by a broker, securities*
15 *intermediary, or commodity intermediary which are perfected without*
16 *control under section 7 of this act rank equally.*

17 7. *In all other cases, priority among conflicting security interests in*
18 *investment property is governed by sections 43 and 44 of this act.*

19 **Sec. 50.** *The following rules govern priority among conflicting*
20 *security interests in the same letter-of-credit right:*

21 1. *A security interest held by a secured party having control of the*
22 *letter-of-credit right under section 8 of this act has priority to the extent*
23 *of its control over a conflicting security interest held by a secured party*
24 *that does not have control.*

25 2. *Security interests perfected by control under section 35 of this act*
26 *rank according to priority in time of obtaining control.*

27 **Sec. 51.** 1. *A purchaser of chattel paper has priority over a security*
28 *interest in the chattel paper which is claimed merely as proceeds of*
29 *inventory subject to a security interest if:*

30 (a) *In good faith and in the ordinary course of the purchaser's*
31 *business, the purchaser gives new value and takes possession of the*
32 *chattel paper or obtains control of the chattel paper under section 6 of*
33 *this act; and*

34 (b) *The chattel paper does not indicate that it has been assigned to an*
35 *identified assignee other than the purchaser.*

36 2. *A purchaser of chattel paper has priority over a security interest in*
37 *the chattel paper which is claimed other than merely as proceeds of*
38 *inventory subject to a security interest if the purchaser gives new value*
39 *and takes possession of the chattel paper or obtains control of the chattel*
40 *paper under section 6 of this act in good faith, in the ordinary course of*
41 *the purchaser's business, and without knowledge that the purchase*
42 *violates the rights of the secured party.*



* S B 6 2 *

- 1 3. Except as otherwise provided in section 48 of this act, a purchaser
2 having priority in chattel paper under subsection 1 or 2 also has priority
3 in proceeds of the chattel paper to the extent that:
4 (a) Section 43 of this act provides for priority in the proceeds; or
5 (b) The proceeds consist of the specific goods covered by the chattel
6 paper or cash proceeds of the specific goods, even if the purchaser's
7 security interest in the proceeds is unperfected.
- 8 4. Except as otherwise provided in subsection 1 of section 52 of this
9 act, a purchaser of an instrument has priority over a security interest in
10 the instrument perfected by a method other than possession if the
11 purchaser gives value and takes possession of the instrument in good
12 faith and without knowledge that the purchase violates the rights of the
13 secured party.
- 14 5. For purposes of subsections 1 and 2, the holder of a purchase-
15 money security interest in inventory gives new value for chattel paper
16 constituting proceeds of the inventory.
- 17 6. For purposes of subsections 2 and 4, if chattel paper or an
18 instrument indicates that it has been assigned to an identified secured
19 party other than the purchaser, a purchaser of the chattel paper or
20 instrument has knowledge that the purchase violates the rights of the
21 secured party.
- 22 Sec. 52. 1. This article does not limit the rights of a holder in due
23 course of a negotiable instrument, a holder to which a negotiable
24 document of title has been duly negotiated, or a protected purchaser of a
25 security. These holders or purchasers take priority over an earlier
26 security interest, even if perfected, to the extent provided in Articles 3, 7
27 and 8.
- 28 2. This article does not limit the rights of or impose liability on a
29 person to the extent that the person is protected against the assertion of
30 an adverse claim under Article 8.
- 31 3. Filing under this article does not constitute notice of a claim or
32 defense to the holders, or purchasers, or persons described in subsections
33 1 and 2.
- 34 Sec. 53. 1. A transferee of money takes the money free of a
35 security interest unless the transferee acts in collusion with the debtor in
36 violating the rights of the secured party.
- 37 2. A transferee of funds from a deposit account takes the funds free
38 of a security interest in the deposit account unless the transferee acts in
39 collusion with the debtor in violating the rights of the secured party.
- 40 Sec. 54. 1. In this section, "possessory lien" means an interest,
41 other than a security interest or an agricultural lien:



* S B 6 2 *

- 1 (a) Which secures payment or performance of an obligation for
2 services or materials furnished with respect to goods by a person in the
3 ordinary course of his business;
4 (b) Which is created by statute or rule of law in his favor; and
5 (c) Whose effectiveness depends on his possession of the goods.
- 6 2. A possessory lien on goods has priority over a security interest in
7 the goods unless the lien is created by a statute that expressly provides
8 otherwise.
- 9 **Sec. 55.** 1. A security interest under this article may be created in
10 goods that are fixtures or may continue in goods that become fixtures. A
11 security interest does not exist under this article in ordinary building
12 materials incorporated into an improvement on land.
- 13 2. This article does not prevent creation of an encumbrance upon
14 fixtures under real property law.
- 15 3. In cases not governed by subsections 4 to 8, inclusive, a security
16 interest in fixtures is subordinate to a conflicting interest of an
17 encumbrancer or owner of the related real property other than the
18 debtor.
- 19 4. Except as otherwise provided in subsection 8, a perfected security
20 interest in fixtures has priority over a conflicting interest of an
21 encumbrancer or owner of the real property if the debtor has an interest
22 of record in or is in possession of the real property and:
- 23 (a) The security interest is a purchase-money security interest;
24 (b) The interest of the encumbrancer or owner arises before the goods
25 become fixtures; and
26 (c) The security interest is perfected by a fixture filing before the
27 goods become fixtures or within 20 days thereafter.
- 28 5. A perfected security interest in fixtures has priority over a
29 conflicting interest of an encumbrancer or owner of the real property if:
- 30 (a) The debtor has an interest of record in the real property or is in
31 possession of the real property and the security interest:
- 32 (1) Is perfected by a fixture filing before the interest of the
33 encumbrancer or owner is of record; and
34 (2) Has priority over any conflicting interest of a predecessor in title
35 of the encumbrancer or owner;
- 36 (b) Before the goods become fixtures, the security interest is perfected
37 by any method permitted by this article and the fixtures are readily
38 removable:
- 39 (1) Factory or office machines;
40 (2) Equipment that is not primarily used or leased for use in the
41 operation of the real property; or
42 (3) Replacements of domestic appliances that are consumer goods;



* S B 6 2 *

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

4 (d) The security interest is:

5 (1) Created in a manufactured home in a manufactured-home
6 transaction; and

7 (2) Perfected pursuant to a statute described in paragraph (b) of
8 subsection 1 of section 32 of this act.

9 6. A security interest in fixtures, whether or not perfected, has
10 priority over a conflicting interest of an encumbrancer or owner of the
11 real property if:

12 (a) The encumbrancer or owner has, in an authenticated record,
13 consented to the security interest or disclaimed an interest in the goods as
14 fixtures; or

15 (b) The debtor has a right to remove the goods as against the
16 encumbrancer or owner.

17 7. The priority of the security interest under subsection 6 continues
18 for a reasonable time if the debtor's right to remove the goods as against
19 the encumbrancer or owner terminates.

20 8. A mortgage is a construction mortgage to the extent that it secures
21 an obligation incurred for the construction of an improvement on land,
22 including the acquisition cost of the land, if the recorded record so
23 indicates. Except as otherwise provided in subsections 5 and 6, a security
24 interest in fixtures is subordinate to a construction mortgage recorded
25 before the goods become fixtures if the goods become fixtures before the
26 completion of the construction. A mortgage has this priority to the same
27 extent as a construction mortgage to the extent that it is given to
28 refinance a construction mortgage.

29 9. A perfected security interest in crops growing on real property has
30 priority over a conflicting interest of an encumbrancer or owner of the
31 real property if the debtor has an interest of record in or is in possession
32 of the real property.

33 **Sec. 56.** 1. A security interest may be created in an accession and
34 continues in collateral that becomes an accession.

35 2. If a security interest is perfected when the collateral becomes an
36 accession, the security interest remains perfected in the collateral.

37 3. Except as otherwise provided in subsection 4, the other provisions
38 of this part determine the priority of a security interest in an accession.

39 4. A security interest in an accession is subordinate to a security
40 interest in the whole which is perfected by compliance with the
41 requirements of a certificate-of-title statute under subsection 2 of section
42 32 of this act.



* S B 6 2 *

1 5. After default, subject to part 6, a secured party may remove an
2 accession from other goods if the security interest in the accession has
3 priority over the claims of every person having an interest in the whole.

4 6. A secured party that removes an accession from other goods under
5 subsection 5 shall promptly reimburse any holder of a security interest or
6 other lien on, or owner of, the whole or of the other goods, other than the
7 debtor, for the cost of repair of any physical injury to the whole or the
8 other goods. The secured party need not reimburse the holder or owner
9 for any diminution in value of the whole or the other goods caused by the
10 absence of the accession removed or by any necessity for replacing it. A
11 person entitled to reimbursement may refuse permission to remove until
12 the secured party gives adequate assurance for the performance of the
13 obligation to reimburse.

14 Sec. 57. 1. In this section, “commingled goods” means goods that
15 are physically united with other goods in such a manner that their
16 identity is lost in a product or mass.

17 2. A security interest does not exist in commingled goods as such.
18 However, a security interest may attach to a product or mass that results
19 when goods become commingled goods.

20 3. If collateral becomes commingled goods, a security interest
21 attaches to the product or mass.

22 4. If a security interest in collateral is perfected before the collateral
23 becomes commingled goods, the security interest that attaches to the
24 product or mass under subsection 3 is perfected.

25 5. Except as otherwise provided in subsection 6, the other provisions
26 of this part determine the priority of a security interest that attaches to
27 the product or mass under subsection 3.

28 6. If more than one security interest attaches to the product or mass
29 under subsection 3, the following rules determine priority:

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

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

36 Sec. 58. If, while a security interest in goods is perfected by any
37 method under the law of another jurisdiction, this state issues a
38 certificate of title that does not show that the goods are subject to the
39 security interest or contain a statement that they may be subject to
40 security interests not shown on the certificate:

41 1. A buyer of the goods, other than a person in the business of selling
42 goods of that kind, takes free of the security interest if the buyer gives



1 value and receives delivery of the goods after issuance of the certificate
2 and without knowledge of the security interest; and

3 2. The security interest is subordinate to a conflicting security
4 interest in the goods that attaches, and is perfected under subsection 2 of
5 section 32 of this act, after issuance of the certificate and without the
6 conflicting secured party's knowledge of the security interest.

7 **Sec. 59.** If a security interest or agricultural lien is perfected by a
8 filed financing statement providing information described in paragraph
9 (e) of subsection 2 of section 88 of this act which is incorrect at the time
10 the financing statement is filed:

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

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

20 **Sec. 60.** This article does not preclude subordination by agreement
21 by a person entitled to priority.

22 **Sec. 61.** 1. Except as otherwise provided in subsection 3, a bank
23 with which a deposit account is maintained may exercise any right of
24 recoupment or set-off against a secured party that holds a security
25 interest in the deposit account.

26 2. Except as otherwise provided in subsection 3, the application of
27 this article to a security interest in a deposit account does not affect a
28 right of recoupment or set-off of the secured party as to a deposit account
29 maintained with the secured party.

30 3. The exercise by a bank of a set-off against a deposit account is
31 ineffective against a secured party that holds a security interest in the
32 deposit account which is perfected by control under paragraph (c) of
33 subsection 1 of section 5 of this act, if the set-off is based on a claim
34 against the debtor.

35 **Sec. 62.** Except as otherwise provided in subsection 3 of section 61
36 of this act, and unless the bank otherwise agrees in an authenticated
37 record, a bank's rights and duties with respect to a deposit account
38 maintained with the bank are not terminated, suspended, or modified by:

39 1. The creation, attachment, or perfection of a security interest in the
40 deposit account;

41 2. The bank's knowledge of the security interest; or

42 3. The bank's receipt of instructions from the secured party.



* S B 6 2 *

1 *Sec. 63. This article does not require a bank to enter into an*
2 *agreement of the kind described in paragraph (b) of subsection 1 of*
3 *section 5 of this act, even if its customer so requests or directs. A bank*
4 *that has entered into such an agreement is not required to confirm the*
5 *existence of the agreement to another person unless requested to do so by*
6 *its customer.*

7 *Sec. 64. 1. Except as otherwise provided in subsection 2 and*
8 *sections 7, 8, 9 and 10 of this act, whether a debtor's rights in collateral*
9 *may be voluntarily or involuntarily transferred is governed by law other*
10 *than this article.*

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

14 *Sec. 65. The existence of a security interest, agricultural lien, or*
15 *authority given to a debtor to dispose of or use collateral, without more,*
16 *does not impose upon a secured party liability in contract or tort for the*
17 *debtor's acts or omissions.*

18 *Sec. 66. 1. In this section, "value" has the meaning provided in*
19 *subsection 1 of NRS 104.3303.*

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

24 *(a) For value;*

25 *(b) In good faith;*

26 *(c) Without notice of a claim of a property or possessory right to the*
27 *property assigned; and*

28 *(d) Without notice of a defense or claim in recoupment of the type that*
29 *may be asserted against a person entitled to enforce a negotiable*
30 *instrument under subsection 1 of NRS 104.3305.*

31 *3. An agreement described in subsection 2 is not enforceable with*
32 *respect to defenses of a type that may be asserted against a holder in due*
33 *course of a negotiable instrument under subsection 2 of NRS 104.3305.*

34 *4. In a consumer transaction, if a record evidences the account*
35 *debtor's obligation, law other than this article requires that the record*
36 *include a statement to the effect that the rights of an assignee are subject*
37 *to claims or defenses that the account debtor could assert against the*
38 *original obligee, and the record does not include such a statement:*

39 *(a) The record has the same effect as if the record included such a*
40 *statement; and*

41 *(b) The account debtor may assert against an assignee those claims*
42 *and defenses that would have been available if the record included such*
43 *a statement.*



* S B 6 2 *

1 5. This section is subject to law other than this article which
2 establishes a different rule for an account debtor who is a natural person
3 and who incurred the obligation primarily for personal, family, or
4 household purposes.

5 6. Except as otherwise provided in subsection 4, this section does not
6 displace law other than this article which gives effect to an agreement by
7 an account debtor not to assert a claim or defense against an assignee.

8 **Sec. 67.** 1. Unless an account debtor has made an enforceable
9 agreement not to assert defenses or claims, and subject to subsections 2
10 to 5, inclusive, the rights of an assignee are subject to:

11 (a) All terms of the agreement between the account debtor and
12 assignor and any defense or claim in recoupment arising from the
13 transaction that gave rise to the contract; and

14 (b) Any other defense or claim of the account debtor against the
15 assignor which accrues before the account debtor receives a notification
16 of the assignment authenticated by the assignor or the assignee.

17 2. Subject to subsection 3 and except as otherwise provided in
18 subsection 4, the claim of an account debtor against an assignor may be
19 asserted against an assignee under subsection 1 only to reduce the
20 amount the account debtor owes.

21 3. This section is subject to law other than this article which
22 establishes a different rule for an account debtor who is a natural person
23 and who incurred the obligation primarily for personal, family, or
24 household purposes.

25 4. In a consumer transaction, if a record evidences the account
26 debtor's obligation, law other than this article requires that the record
27 include a statement to the effect that the account debtor's recovery
28 against an assignee with respect to claims and defenses against the
29 assignor may not exceed amounts paid by the account debtor under the
30 record, and the record does not include such a statement, the extent to
31 which a claim of an account debtor against the assignor may be asserted
32 against an assignee is determined as if the record included such a
33 statement.

34 5. This section does not apply to an assignment of a health-care-
35 insurance receivable.

36 **Sec. 68.** 1. A modification of or substitution for an assigned
37 contract is effective against an assignee if made in good faith. The
38 assignee acquires corresponding rights under the modified or substituted
39 contract. The assignment may provide that the modification or
40 substitution is a breach of contract by the assignor. This subsection is
41 subject to subsections 2, 3 and 4.

42 2. Subsection 1 applies to the extent that:



* S B 6 2 *

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

3 (b) *The right to payment or a part thereof has been fully earned by*
4 *performance and the account debtor has not received notification of the*
5 *assignment under subsection 1 of section 69 of this act.*

6 3. *This section is subject to law other than this article which*
7 *establishes a different rule for an account debtor who is a natural person*
8 *and who incurred the obligation primarily for personal, family, or*
9 *household purposes.*

10 4. *This section does not apply to an assignment of a health-care-*
11 *insurance receivable.*

12 **Sec. 69.** 1. *Subject to subsections 2 to 8, inclusive, an account*
13 *debtor on an account, chattel paper, or a payment intangible may*
14 *discharge its obligation by paying the assignor until, but not after, the*
15 *account debtor receives a notification, authenticated by the assignor or*
16 *the assignee, that the amount due or to become due has been assigned*
17 *and that payment is to be made to the assignee. After receipt of the*
18 *notification, the account debtor may discharge its obligation by paying*
19 *the assignee and may not discharge the obligation by paying the*
20 *assignor.*

21 2. *Subject to subsection 8, notification is ineffective under subsection*
22 1:

23 (a) *If it does not reasonably identify the rights assigned;*

24 (b) *To the extent that an agreement between an account debtor and a*
25 *seller of a payment intangible limits the account debtor's duty to pay a*
26 *person other than the seller and the limitation is effective under law*
27 *other than this article; or*

28 (c) *At the option of an account debtor, if the notification notifies the*
29 *account debtor to make less than the full amount of any installment or*
30 *other periodic payment to the assignee, even if:*

31 (1) *Only a portion of the account, chattel paper, or general*
32 *intangible has been assigned to that assignee;*

33 (2) *A portion has been assigned to another assignee; or*

34 (3) *The account debtor knows that the assignment to that assignee*
35 *is limited.*

36 3. *Subject to subsection 8, if requested by the account debtor, an*
37 *assignee shall seasonably furnish reasonable proof that the assignment*
38 *has been made. Unless the assignee complies, the account debtor may*
39 *discharge its obligation by paying the assignor, even if the account*
40 *debtor has received a notification under subsection 1.*

41 4. *Except as otherwise provided in subsection 5 and NRS 104A.2303*
42 *and section 70 of this act, and subject to subsection 8, a term in an*



* S B 6 2 *

1 *agreement between an account debtor and an assignor or in a promissory*
2 *note is ineffective to the extent that it:*

3 (a) *Prohibits, restricts, or requires the consent of the account debtor*
4 *or person obligated on the promissory note to the assignment or transfer*
5 *of, or the creation, attachment, perfection, or enforcement of a security*
6 *interest in, the account, chattel paper, payment intangible, or promissory*
7 *note; or*

8 (b) *Provides that the creation, attachment, perfection, or enforcement*
9 *of the security interest may give rise to a default, breach, right of*
10 *recoupment, claim, defense, termination, right of termination, or remedy*
11 *under the account, chattel paper, payment intangible, or promissory note.*

12 5. *Subsection 4 does not apply to the sale of a payment intangible or*
13 *promissory note.*

14 6. *Subject to subsections 7 and 8, a rule of law, statute, or regulation,*
15 *that prohibits, restricts, or requires the consent of a government,*
16 *governmental body or official, or account debtor to the assignment or*
17 *transfer of, or creation of a security interest in, an account or chattel*
18 *paper is ineffective to the extent that the rule of law, statute, or*
19 *regulation:*

20 (a) *Prohibits, restricts, or requires the consent of the government,*
21 *governmental body or official, or account debtor to the assignment or*
22 *transfer of, or the creation, attachment, perfection, or enforcement of a*
23 *security interest in, the account or chattel paper; or*

24 (b) *Provides that the creation, attachment, perfection, or enforcement*
25 *of the security interest may give rise to a default, breach, right of*
26 *recoupment, claim, defense, termination, right of termination, or remedy*
27 *under the account or chattel paper.*

28 7. *Subject to subsection 8, an account debtor may not waive or vary*
29 *its option under paragraph (c) of subsection 2.*

30 8. *This section is subject to law other than this article which*
31 *establishes a different rule for an account debtor who is an individual*
32 *and who incurred the obligation primarily for personal, family, or*
33 *household purposes.*

34 9. *This section does not apply to an assignment of a health-care-*
35 *insurance receivable.*

36 **Sec. 70. 1.** *Except as otherwise provided in subsection 2, a term in*
37 *a lease agreement is ineffective to the extent that it:*

38 (a) *Prohibits, restricts, or requires the consent of a party to the lease to*
39 *the creation, attachment, perfection, or enforcement of a security interest*
40 *in an interest of a party under the lease contract or in the lessor's*
41 *residual interest in the goods; or*

42 (b) *Provides that the creation, attachment, perfection, or enforcement*
43 *of the security interest may give rise to a default, breach, right of*



* S B 6 2 *

1 *recoupment, claim, defense, termination, right of termination, or remedy*
2 *under the lease.*

3 2. *Except as otherwise provided in subsection 7 of NRS 104A.2303, a*
4 *term described in paragraph (b) of subsection 1 is effective to the extent*
5 *that there is:*

6 (a) *A transfer by the lessee of the lessee's right of possession or use of*
7 *the goods in violation of the term; or*

8 (b) *A delegation of a material performance of either party to the lease*
9 *contract in violation of the term.*

10 3. *The creation, attachment, perfection, or enforcement of a security*
11 *interest in the lessor's interest under the lease contract or the lessor's*
12 *residual interest in the goods is not a transfer that materially impairs the*
13 *lessee's prospect of obtaining return performance or materially changes*
14 *the duty of or materially increases the burden or risk imposed on the*
15 *lessee within the purview of subsection 4 of NRS 104A.2303 unless, and*
16 *then only to the extent that, enforcement results in a delegation of a*
17 *material performance of the lessor. Even in that event, the creation,*
18 *attachment, perfection, and enforcement of the security interest remain*
19 *effective.*

20 **Sec. 71.** 1. *Except as otherwise provided in subsection 2, a term in*
21 *a promissory note or in an agreement between an account debtor and a*
22 *debtor which relates to a health-care-insurance receivable or a general*
23 *intangible, including a contract, permit, license, or franchise, and*
24 *prohibits, restricts, or requires the consent of the person obligated on the*
25 *promissory note or the account debtor to, the assignment or transfer of,*
26 *or creation, attachment, or perfection of a security interest in, the*
27 *promissory note, health-care-insurance receivable, or general intangible,*
28 *is ineffective to the extent that the term:*

29 (a) *Would impair the creation, attachment, or perfection of a security*
30 *interest; or*

31 (b) *Provides that the creation, attachment, or perfection of the security*
32 *interest may give rise to a default, breach, right of recoupment, claim,*
33 *defense, termination, right of termination, or remedy under the*
34 *promissory note, health-care-insurance receivable, or general intangible.*

35 2. *Subsection 1 applies to a security interest in a payment intangible*
36 *or promissory note only if the security interest arises out of a sale of the*
37 *payment intangible or promissory note.*

38 3. *A rule of law, statute, or regulation that prohibits, restricts, or*
39 *requires the consent of a government, governmental body or official,*
40 *person obligated on a promissory note, or account debtor to the*
41 *assignment or transfer of, or creation of a security interest in, a*
42 *promissory note, health-care-insurance receivable, or general intangible,*
43 *including a contract, permit, license, or franchise between an account*



* S B 6 2 *

1 *debtor and a debtor, is ineffective to the extent that the rule of law,*
2 *statute, or regulation:*

3 *(a) Would impair the creation, attachment, or perfection of a security*
4 *interest; or*

5 *(b) Provides that the creation, attachment, or perfection of the security*
6 *interest may give rise to a default, breach, right of recoupment, claim,*
7 *defense, termination, right of termination, or remedy under the*
8 *promissory note, health-care-insurance receivable, or general intangible.*

9 *4. To the extent that a term in a promissory note or in an agreement*
10 *between an account debtor and a debtor which relates to a health-care-*
11 *insurance receivable or general intangible or a rule of law, statute, or*
12 *regulation described in subsection 3 would be effective under law other*
13 *than this article but is ineffective under subsection 1 or 3, the creation,*
14 *attachment, or perfection of a security interest in the promissory note,*
15 *health-care-insurance receivable, or general intangible:*

16 *(a) Is not enforceable against the person obligated on the promissory*
17 *note or the account debtor;*

18 *(b) Does not impose a duty or obligation on the person obligated on*
19 *the promissory note or the account debtor;*

20 *(c) Does not require the person obligated on the promissory note or*
21 *the account debtor to recognize the security interest, pay or render*
22 *performance to the secured party, or accept payment or performance*
23 *from the secured party;*

24 *(d) Does not entitle the secured party to use or assign the debtor's*
25 *rights under the promissory note, health-care-insurance receivable, or*
26 *general intangible, including any related information or materials*
27 *furnished to the debtor in the transaction giving rise to the promissory*
28 *note, health-care-insurance receivable, or general intangible;*

29 *(e) Does not entitle the secured party to use, assign, possess, or have*
30 *access to any trade secrets or confidential information of the person*
31 *obligated on the promissory note or the account debtor; and*

32 *(f) Does not entitle the secured party to enforce the security interest in*
33 *the promissory note, health-care-insurance receivable, or general*
34 *intangible.*

35 **Sec. 72. 1.** *A term in a letter of credit or a rule of law, statute,*
36 *regulation, custom, or practice applicable to the letter of credit which*
37 *prohibits, restricts, or requires the consent of an applicant, issuer, or*
38 *nominated person to a beneficiary's assignment of or creation of a*
39 *security interest in a letter-of-credit right is ineffective to the extent that*
40 *the term or rule of law, statute, regulation, custom, or practice:*

41 *(a) Would impair the creation, attachment, or perfection of a security*
42 *interest in the letter-of-credit right; or*



* S B 6 2 *

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

5 2. To the extent that a term in a letter of credit is ineffective under
6 subsection 1 but would be effective under law other than this article or a
7 custom or practice applicable to the letter of credit, to the transfer of a
8 right to draw or otherwise demand performance under the letter of credit,
9 or to the assignment of a right to proceeds of the letter of credit, the
10 creation, attachment, or perfection of a security interest in the letter-of-
11 credit right:

12 (a) Is not enforceable against the applicant, issuer, nominated person,
13 or transferee beneficiary;

14 (b) Imposes no duties or obligations on the applicant, issuer,
15 nominated person, or transferee beneficiary; and

16 (c) Does not require the applicant, issuer, nominated person, or
17 transferee beneficiary to recognize the security interest, pay or render
18 performance to the secured party, or accept payment or other
19 performance from the secured party.

20 **Sec. 73.** 1. Except as otherwise provided in subsection 2, if the
21 local law of this state governs perfection of a security interest or
22 agricultural lien, the office in which to file a financing statement to
23 perfect the security interest or agricultural lien is:

24 (a) The office designated for the filing or recording of a mortgage on
25 the real property, if:

26 (1) The collateral is as-extracted collateral or timber to be cut; or

27 (2) The financing statement is filed as a fixture filing and the
28 collateral is goods that are or are to become fixtures; or

29 (b) The office of the secretary of state in all other cases, including a
30 case in which the collateral is goods that are or are to become fixtures
31 and the financing statement is not filed as a fixture filing.

32 2. The office in which to file a financing statement to perfect a
33 security interest in collateral, including fixtures, of a transmitting utility
34 is the office of the secretary of state or the county recorder of the
35 appropriate county, as determined pursuant to chapter 105 of NRS. The
36 financing statement also constitutes a fixture filing as to the collateral
37 indicated in the financing statement which is or is to become fixtures.

38 **Sec. 74.** 1. Subject to subsection 2, a financing statement is
39 sufficient only if it:

40 (a) Provides the name of the debtor;

41 (b) Provides the name of the secured party or a representative of the
42 secured party; and

43 (c) Indicates the collateral covered by the financing statement.



* S B 6 2 *

- 1 2. Except as otherwise provided in subsection 2 of section 73 of this
2 act, to be sufficient, a financing statement that covers as-extracted
3 collateral or timber to be cut, or which is filed as a fixture filing and
4 covers goods that are or are to become fixtures, must satisfy subsection 1
5 and also:
- 6 (a) Indicate that it covers this type of collateral;
7 (b) Indicate that it is to be filed for record in the real property records;
8 (c) Provide a description of the real property to which the collateral is
9 related sufficient to give constructive notice of the mortgage under the
10 law of this state if the description were contained in a mortgage of the
11 real property; and
12 (d) If the debtor does not have an interest of record in the real
13 property, provide the name of a record owner.
- 14 3. A record of a mortgage is effective, from the date of recording, as
15 a financing statement filed as a fixture filing or as a financing statement
16 covering as-extracted collateral or timber to be cut only if:
- 17 (a) The record indicates the goods or accounts that it covers;
18 (b) The goods are or are to become fixtures related to the real property
19 described in the mortgage or the collateral is related to the real property
20 described in the mortgage and is as-extracted collateral or timber to be
21 cut;
22 (c) The record satisfies the requirements for a financing statement in
23 this section other than an indication that it is to be filed in the real
24 property records; and
25 (d) The mortgage is recorded.
- 26 4. A financing statement may be filed before a security agreement is
27 made or a security interest otherwise attaches.
- 28 Sec. 75. 1. A financing statement sufficiently provides the name of
29 the debtor:
- 30 (a) If the debtor is a registered organization, only if the financing
31 statement provides the name of the debtor indicated on the public record
32 of the debtor's jurisdiction of organization which shows the debtor to
33 have been organized;
34 (b) If the debtor is a decedent's estate, only if the financing statement
35 provides the name of the decedent and indicates that the debtor is an
36 estate;
37 (c) If the debtor is a trust or a trustee acting with respect to property
38 held in trust, only if the financing statement:
- 39 (1) Provides the name specified for the trust in its organic
40 documents or, if no name is specified, provides the name of the settlor
41 and additional information sufficient to distinguish the debtor from other
42 trusts having one or more of the same settlors; and



* S B 6 2 *

1 (2) Indicates, in the debtor's name or otherwise, that the debtor is a
2 trust or is a trustee acting with respect to property held in trust; and

3 (d) In other cases:

4 (1) If the debtor has a name, only if it provides the name of the
5 debtor as a natural person or an organization; and

6 (2) If the debtor does not have a name, only if it provides the names
7 of the partners, members, associates, or other persons comprising the
8 debtor.

9 2. A financing statement that provides the name of the debtor in
10 accordance with subsection 1 is not rendered ineffective by the absence
11 of:

12 (a) A trade name or other name of the debtor; or

13 (b) Unless required under subparagraph (2) of paragraph (d) of
14 subsection 1, names of partners, members, associates, or other persons
15 comprising the debtor.

16 3. A financing statement that provides only the debtor's trade name
17 does not sufficiently provide the name of the debtor.

18 4. Failure to indicate the representative capacity of a secured party
19 or representative of a secured party does not affect the sufficiency of a
20 financing statement.

21 5. A financing statement may provide the name of more than one
22 debtor and the name of more than one secured party.

23 Sec. 76. A financing statement sufficiently indicates the collateral
24 that it covers only if the financing statement provides:

25 1. A description of the collateral pursuant to section 9 of this act; or

26 2. An indication that the financing statement covers all assets or all
27 personal property.

28 Sec. 77. 1. A consignor, lessor, or other bailor of goods, a licensor,
29 or a buyer of a payment intangible or promissory note may file a
30 financing statement, or may comply with a statute or treaty described in
31 subsection 1 of section 32 of this act, using the terms "consignor,"
32 "consignee," "lessor," "lessee," "bailor," "bailee," "licensor,"
33 "licensee," "owner," "registered owner," "buyer," "seller," or words of
34 similar import, instead of the terms "secured party" and "debtor."

35 2. This part applies to the filing of a financing statement under
36 subsection 1 and, as appropriate, to compliance that is equivalent to
37 filing a financing statement under subsection 2 of section 32 of this act,
38 but the filing or compliance is not of itself a factor in determining
39 whether the collateral secures an obligation. If it is determined for
40 another reason that the collateral secures an obligation, a security
41 interest held by the consignor, lessor, bailor, licensor, owner, or buyer
42 which attaches to the collateral is perfected by the filing or compliance.



* S B 6 2 *

1 **Sec. 78.** 1. A financing statement substantially satisfying the
2 requirements of this part is effective, even if it has minor errors or
3 omissions, unless the errors or omissions make the financing statement
4 seriously misleading.

5 2. Except as otherwise provided in subsection 3, a financing
6 statement that fails sufficiently to provide the name of the debtor in
7 accordance with subsection 1 of section 75 of this act is seriously
8 misleading.

9 3. If a search of the records of the filing office under the debtor's
10 correct name, using the filing office's standard search logic, if any,
11 would disclose a financing statement that fails sufficiently to provide the
12 name of the debtor in accordance with subsection 1 of section 75 of this
13 act, the name provided does not make the financing statement seriously
14 misleading.

15 4. For purposes of subsection 2 of section 80 of this act, the
16 "debtor's correct name" in subsection 3 means the correct name of the
17 new debtor.

18 **Sec. 79.** 1. A filed financing statement remains effective with
19 respect to collateral that is sold, exchanged, leased, licensed, or otherwise
20 disposed of and in which a security interest or agricultural lien
21 continues, even if the secured party knows of or consents to the
22 disposition.

23 2. Except as otherwise provided in subsection 3 and section 80 of this
24 act, a financing statement is not rendered ineffective if, after the
25 financing statement is filed, the information provided in the financing
26 statement becomes seriously misleading under section 78 of this act.

27 3. If a debtor so changes its name that a filed financing statement
28 becomes seriously misleading under section 78 of this act:

29 (a) The financing statement is effective to perfect a security interest in
30 collateral acquired by the debtor before, or within 4 months after, the
31 change; and

32 (b) The financing statement is not effective to perfect a security
33 interest in collateral acquired by the debtor more than 4 months after the
34 change, unless an amendment to the financing statement which renders
35 the financing statement not seriously misleading is filed within 4 months
36 after the change.

37 **Sec. 80.** 1. Except as otherwise provided in this section, a filed
38 financing statement naming an original debtor is effective to perfect a
39 security interest in collateral in which a new debtor has or acquires rights
40 to the extent that the financing statement would have been effective had
41 the original debtor acquired rights in the collateral.

42 2. If the difference between the name of the original debtor and that
43 of the new debtor causes a filed financing statement that is effective



* S B 6 2 *

1 under subsection 1 to be seriously misleading under section 78 of this
2 act:

3 (a) The financing statement is effective to perfect a security interest in
4 collateral acquired by the new debtor before, and within 4 months after,
5 the new debtor becomes bound under subsection 4 of section 14 of this
6 act; and

7 (b) The financing statement is not effective to perfect a security
8 interest in collateral acquired by the new debtor more than 4 months
9 after the new debtor becomes bound under subsection 4 of section 14 of
10 this act unless an initial financing statement providing the name of the
11 new debtor is filed before the expiration of that time.

12 3. This section does not apply to collateral as to which a filed
13 financing statement remains effective against the new debtor under
14 subsection 1 of section 79 of this act.

15 **Sec. 81.** 1. A person may file an initial financing statement,
16 amendment that adds collateral covered by a financing statement, or
17 amendment that adds a debtor to a financing statement only if:

18 (a) The debtor authorizes the filing in an authenticated record; or

19 (b) The person holds an agricultural lien that has become effective at
20 the time of filing and the financing statement covers only collateral in
21 which he holds an agricultural lien.

22 2. By authenticating or becoming bound as debtor by a security
23 agreement, a debtor or new debtor authorizes the filing of an initial
24 financing statement, and an amendment, covering:

25 (a) The collateral described in the security agreement; and

26 (b) Property that becomes collateral under paragraph (b) of
27 subsection 1 of section 36 of this act, whether or not the security
28 agreement expressly covers proceeds.

29 3. A person may file an amendment other than an amendment that
30 adds collateral covered by a financing statement or an amendment that
31 adds a debtor to a financing statement only if:

32 (a) The secured party of record authorizes the filing; or

33 (b) The amendment is a termination statement for a financing
34 statement as to which the secured party of record has failed to file or
35 send a termination statement as required by subsection 1 or 3 of section
36 85 of this act.

37 4. If there is more than one secured party of record for a financing
38 statement, each secured party of record may authorize the filing of an
39 amendment under subsection 3.

40 **Sec. 82.** 1. Subject to subsection 3, a filed record is effective only
41 to the extent that it was filed by a person that may file it under section 81
42 of this act.



* S B 6 2 *

1 2. A record authorized by one secured party of record does not affect
2 the financing statement with respect to another secured party of record.

3 3. If a person may file a termination statement only under paragraph
4 2 of subsection 3 of section 81 of this act, the filed termination statement
5 is effective only if the debtor authorizes the filing and the termination
6 statement indicates that the debtor authorized it to be filed.

7 4. A continuation statement that is not filed within the 6-month
8 period prescribed by subsection 4 of section 87 of this act is ineffective.

9 **Sec. 83.** 1. A secured party of record with respect to a financing
10 statement is a person whose name is provided as the name of the secured
11 party or a representative of the secured party in an initial financing
12 statement that has been filed. If an initial financing statement is filed
13 under subsection 1 of section 86 of this act, the assignee named in the
14 initial financing statement is the secured party of record with respect to
15 the financing statement.

16 2. If an amendment of a financing statement which provides the
17 name of a person as a secured party or a representative of a secured
18 party is filed, the person named in the amendment is a secured party of
19 record. If an amendment is filed under subsection 2 of section 86 of this
20 act, the assignee named in the amendment is a secured party of record.

21 3. A person remains a secured party of record until the filing of an
22 amendment of the financing statement which deletes him.

23 **Sec. 84.** 1. Subject to section 81 of this act, a person may add or
24 delete collateral covered by, continue or terminate the effectiveness of,
25 or, subject to subsection 5, otherwise amend the information provided in,
26 a financing statement by filing an amendment that:

27 (a) Identifies, by its file number, the initial financing statement to
28 which the amendment relates; and

29 (b) If the amendment relates to an initial financing statement filed or
30 recorded in a filing office described in paragraph (a) of subsection 1 of
31 section 73 of this act, provides the date that the initial financing
32 statement was filed or recorded and the information specified in
33 subsection 2 of section 74 of this act.

34 2. Except as otherwise provided in section 87 of this act, the filing of
35 an amendment does not extend the period of effectiveness of the
36 financing statement.

37 3. A financing statement that is amended by an amendment that adds
38 collateral is effective as to the added collateral only from the date of the
39 filing of the amendment.

40 4. A financing statement that is amended by an amendment that adds
41 a debtor is effective as to the added debtor only from the date of the filing
42 of the amendment.

43 5. An amendment is ineffective to the extent it:



* S B 6 2 *

1 (a) Purports to delete all debtors and fails to provide the name of a
2 debtor to be covered by the financing statement; or

3 (b) Purports to delete all secured parties of record and fails to provide
4 the name of a new secured party of record.

5 **Sec. 85. 1.** A secured party shall cause the secured party of record
6 for a financing statement to file a termination statement for the
7 financing statement if the financing statement covers consumer goods
8 and:

9 (a) There is no obligation secured by the collateral covered by the
10 financing statement and no commitment to make an advance, incur an
11 obligation, or otherwise give value; or

12 (b) The debtor did not authorize the filing of the initial financing
13 statement.

14 2. To comply with subsection 1, a secured party shall cause the
15 secured party of record to file the termination statement:

16 (a) Within 1 month after there is no obligation secured by the
17 collateral covered by the financing statement and no commitment to
18 make an advance, incur an obligation, or otherwise give value; or

19 (b) If earlier, within 20 days after the secured party receives an
20 authenticated demand from a debtor.

21 3. In cases not governed by subsection 1, within 20 days after a
22 secured party receives an authenticated demand from a debtor, the
23 secured party shall cause the secured party of record for a financing
24 statement to send to the debtor a termination statement for the financing
25 statement or file the termination statement in the filing office if:

26 (a) Except in the case of a financing statement covering accounts or
27 chattel paper that has been sold or goods that are the subject of a
28 consignment, there is no obligation secured by the collateral covered by
29 the financing statement and no commitment to make an advance, incur
30 an obligation, or otherwise give value;

31 (b) The financing statement covers accounts or chattel paper that has
32 been sold but as to which the account debtor or other person obligated
33 has discharged its obligation;

34 (c) The financing statement covers goods that were the subject of a
35 consignment to the debtor but are not in the debtor's possession; or

36 (d) The debtor did not authorize the filing of the initial financing
37 statement.

38 4. Except as otherwise provided in section 82 of this act, upon the
39 filing of a termination statement with the filing office, the financing
40 statement to which the termination statement relates ceases to be
41 effective.



* S B 6 2 *

1 **Sec. 86.** 1. *Except as otherwise provided in subsection 3, an initial*
2 *financing statement may reflect an assignment of all of the secured*
3 *party's power to authorize an amendment to the financing statement by*
4 *providing the name and mailing address of the assignee as the name and*
5 *address of the secured party.*

6 2. *Except as otherwise provided in subsection 3, a secured party of*
7 *record may assign of record all or part of its power to authorize an*
8 *amendment to a financing statement by filing in the filing office an*
9 *amendment of the financing statement which:*

10 (i) *Identifies, by its file number, the initial financing statement to*
11 *which it relates;*

12 (b) *Provides the name of the assignor; and*

13 (c) *Provides the name and mailing address of the assignee.*

14 3. *An assignment of record of a security interest in a fixture covered*
15 *by a mortgage of real property which is effective as a fixture filing under*
16 *section 74 of this act may be made only by an assignment of record of the*
17 *mortgage in the manner provided by law of this state other than the*
18 *Uniform Commercial Code.*

19 **Sec. 87.** 1. *Except as otherwise provided in subsections 2, 5, 6 and*
20 *7, a filed financing statement is effective for a period of 5 years after the*
21 *date of filing.*

22 2. *Except as otherwise provided in subsections 5, 6 and 7, an initial*
23 *financing statement filed in connection with a public-finance transaction*
24 *or manufactured-home transaction is effective for a period of 30 years*
25 *after the date of filing if it indicates that it is filed in connection with a*
26 *public-finance transaction or manufactured-home transaction.*

27 3. *The effectiveness of a filed financing statement lapses on the*
28 *expiration of the period of its effectiveness unless before the lapse a*
29 *continuation statement is filed pursuant to subsection 4. Upon lapse, a*
30 *financing statement ceases to be effective and any security interest or*
31 *agricultural lien that was perfected by the financing statement becomes*
32 *unperfected, unless the security interest is perfected otherwise. If the*
33 *security interest or agricultural lien becomes unperfected upon lapse, it is*
34 *deemed never to have been perfected as against a purchaser of the*
35 *collateral for value.*

36 4. *A continuation statement may be filed only within 6 months before*
37 *the expiration of the 5-year period specified in subsection 1 or the 30-*
38 *year period specified in subsection 2, whichever is applicable.*

39 5. *Except as otherwise provided in section 82 of this act, upon timely*
40 *filing of a continuation statement, the effectiveness of the initial*
41 *financing statement continues for a period of 5 years commencing on the*
42 *day on which the financing statement would have become ineffective in*
43 *the absence of the filing. Upon the expiration of the 5-year period, the*



* S B 6 2 *

1 *financing statement lapses in the same manner as provided in subsection*
2 *3, unless, before the lapse, another continuation statement is filed*
3 *pursuant to subsection 4. Succeeding continuation statements may be*
4 *filed in the same manner to continue the effectiveness of the initial*
5 *financing statement.*

6 *6. If a debtor is a transmitting utility and a filed financing statement*
7 *so indicates, the financing statement is effective until a termination*
8 *statement is filed.*

9 *7. A real property mortgage that is effective as a fixture filing under*
10 *subsection 4 of section 74 of this act remains effective as a fixture filing*
11 *until the mortgage is released or satisfied of record or its effectiveness*
12 *otherwise terminates as to the real property.*

13 **Sec. 88.** *1. Except as otherwise provided in subsection 2,*
14 *communication of a record to a filing office and tender of the filing fee*
15 *or acceptance of the record by the filing office constitutes filing.*

16 *2. Filing does not occur with respect to a record that a filing office*
17 *refuses to accept because:*

18 *(a) The record is not communicated by a method or medium of*
19 *communication authorized by the filing office;*

20 *(b) An amount equal to or greater than the applicable filing fee is not*
21 *tendered;*

22 *(c) The filing office is unable to index the record because:*

23 *(1) In the case of an initial financing statement, the record does not*
24 *provide a name for the debtor;*

25 *(2) In the case of an amendment or correction statement, the*
26 *record:*

27 *(I) Does not identify the initial financing statement as required*
28 *by section 84 or 90 of this act, as applicable; or*

29 *(II) Identifies an initial financing statement whose effectiveness*
30 *has lapsed under section 87 of this act;*

31 *(3) In the case of an initial financing statement that provides the*
32 *name of a debtor identified as a natural person or an amendment that*
33 *provides a name of a debtor identified as a natural person which was not*
34 *previously provided in the financing statement to which the record*
35 *relates, the record does not identify the debtor's last name; or*

36 *(4) In the case of a record filed or recorded in the filing office*
37 *described in paragraph (a) of subsection 1 of section 73 of this act, the*
38 *record does not provide a sufficient description of the real property to*
39 *which it relates;*

40 *(d) In the case of an initial financing statement or an amendment that*
41 *adds a secured party of record, the record does not provide a name and*
42 *mailing address for the secured party of record;*



* S B 6 2 *

- 1 (e) In the case of an initial financing statement or an amendment that
2 provides a name of a debtor which was not previously provided in the
3 financing statement to which the amendment relates, the record does not:
4 (1) Provide a mailing address for the debtor;
5 (2) Indicate whether the debtor is a natural person or an
6 organization; or
7 (3) If the financing statement indicates that the debtor is an
8 organization, provide:
9 (I) A type of organization for the debtor;
10 (II) A jurisdiction of organization for the debtor; or
11 (III) An organizational identification number for the debtor or
12 indicate that the debtor has none;
13 (f) In the case of an assignment reflected in an initial financing
14 statement under subsection 1 of section 86 of this act or an amendment
15 filed under subsection 2 of that section, the record does not provide a
16 name and mailing address for the assignee; or
17 (g) In the case of a continuation statement, the record is not filed
18 within the 6-month period prescribed by subsection 4 of section 87 of this
19 act.
20 3. For purposes of subsection 2:
21 (a) A record does not provide information if the filing office is unable
22 to read or decipher the information; and
23 (b) A record that does not indicate that it is an amendment or identify
24 an initial financing statement to which it relates, as required by section
25 84, 86 or 90 of this act, is an initial financing statement.
26 4. A record that is communicated to the filing office with tender of
27 the filing fee, but which the filing office refuses to accept for a reason
28 other than one set forth in subsection 2, is effective as a filed record
29 except as against a purchaser of the collateral which gives value in
30 reasonable reliance upon the absence of the record from the files.
31 Sec. 89. The failure of the filing office to index a record correctly
32 does not affect the effectiveness of the filed record.
33 Sec. 90. 1. A person may file in the filing office a correction
34 statement with respect to a record indexed there under his name if he
35 believes that the record is inaccurate or was wrongfully filed.
36 2. A correction statement must:
37 (a) Identify the record to which it relates by:
38 (1) The file number assigned to the initial financing statement to
39 which the record relates; and
40 (2) If the correction statement relates to a record filed or recorded
41 in a filing office described in paragraph (a) of subsection 1 of section 73
42 of this act, the date that the initial financing statement was filed or



* S B 6 2 *

- 1 recorded and the information specified in subsection 2 of section 74 of
2 this act;
- 3 (b) Indicate that it is a correction statement; and
- 4 (c) Provide the basis for the person's belief that the record is
5 inaccurate and indicate the manner in which he believes the record
6 should be amended to cure any inaccuracy or provide the basis for his
7 belief that the record was wrongfully filed.
- 8 3. The filing of a correction statement does not affect the
9 effectiveness of an initial financing statement or other filed record.
- 10 **Sec. 91. 1.** For each record filed in a filing office, the filing office
11 shall:
- 12 (a) Assign a unique number to the filed record;
- 13 (b) Create a record that bears the number assigned to the filed record
14 and the date and time of filing;
- 15 (c) Maintain the filed record for public inspection; and
- 16 (d) Index the filed record in accordance with subsections 3, 4 and 5.
- 17 2. Except as otherwise provided in subsection 9, a file number
18 assigned after January 1, 2002, must include a digit that:
- 19 (a) Is mathematically derived from or related to the other digits of the
20 file number; and
- 21 (b) Enables the filing office to detect whether a number
22 communicated as the file number includes a single-digit or
23 transpositional error.
- 24 3. Except as otherwise provided in subsections 4 and 5, the filing
25 office shall:
- 26 (a) Index an initial financing statement according to the name of the
27 debtor and index all filed records relating to the initial financing
28 statement in a manner that associates with one another an initial
29 financing statement and all filed records relating to the initial financing
30 statement; and
- 31 (b) Index a record that provides a name of a debtor which was not
32 previously provided in the financing statement to which the record relates
33 also according to the name that was not previously provided.
- 34 4. If a financing statement is filed as a fixture filing or covers as-
35 extracted collateral or timber to be cut, it must be filed for record and the
36 filing office shall index it:
- 37 (a) Under the names of the debtor and of each owner of record shown
38 on the financing statement as if they were the mortgagors under a
39 mortgage of the real property described; and
- 40 (b) To the extent that the law of this state provides for indexing of
41 mortgages under the name of the mortgagee, under the name of the
42 secured party as if the secured party were the mortgagee thereunder.



* S B 6 2 *

- 1 5. *If a financing statement is filed as a fixture filing or covers as-*
2 *extracted collateral or timber to be cut, the filing office shall index an*
3 *assignment filed under subsection 1 of section 86 of this act or an*
4 *amendment filed under subsection 2 of that section:*
5 (a) *Under the name of the assignor as grantor; and*
6 (b) *To the extent that the law of this state provides for indexing the*
7 *assignment of a mortgage of real property under the name of the*
8 *assignee, under the name of the assignee.*
9 6. *The filing office shall maintain a capability:*
10 (a) *To retrieve a record by the name of the debtor and:*
11 (1) *If the filing office is described in paragraph (a) of subsection 1*
12 *of section 73 of this act, by the file number assigned to the initial*
13 *financing statement to which the record relates and the date and time*
14 *that the record was filed or recorded; or*
15 (2) *If the filing office is described in paragraph (b) of subsection 1*
16 *of section 73 of this act, by the file number assigned to the initial*
17 *financing statement to which the record relates; and*
18 (b) *To associate and retrieve with one another an initial financing*
19 *statement and each filed record relating to the initial financing*
20 *statement.*
21 7. *The filing office may not remove a debtor's name from the index*
22 *until 1 year after the effectiveness of a financing statement naming the*
23 *debtor lapses under section 87 of this act with respect to all secured*
24 *parties of record.*
25 8. *The filing office shall perform the acts required by subsections 1*
26 *to 5, inclusive, at the time and in the manner prescribed by filing-office*
27 *rule, but not later than 2 business days after the filing office receives the*
28 *record in question.*
29 9. *Subsection 2 does not apply to a filing office described in*
30 *paragraph (a) of subsection 1 of section 73 of this act.*
31 **Sec. 92.** 1. *A filing office shall refuse to accept a record for filing*
32 *for a reason set forth in subsection 2 of section 88 of this act and may*
33 *refuse to accept a record for filing only for a reason set forth in that*
34 *subsection.*
35 2. *If a filing office refuses to accept a record for filing, it shall*
36 *communicate to the person that presented the record the fact of and*
37 *reason for the refusal and the date and time the record would have been*
38 *filed had the filing office accepted it. The communication must be made*
39 *at the time and in the manner prescribed by filing-office rule but in no*
40 *event more than 2 business days after the filing office receives the record.*
41 3. *A filed financing statement satisfying subsections 1 and 2 of*
42 *section 74 of this act is effective, even if the filing office is required to*
43 *refuse to accept it for filing under subsection 1. However, section 59 of*



* S B 6 2 *

1 *this act applies to a filed financing statement providing information*
2 *described in paragraph (e) of subsection 2 of section 88 of this act which*
3 *is incorrect at the time the financing statement is filed.*

4 *4. If a record communicated to a filing office provides information*
5 *that relates to more than one debtor, this part applies to each debtor*
6 *separately.*

7 **Sec. 93. 1. A filing office that accepts written records may not**
8 **refuse to accept a written initial financing statement in the following**
9 **form except for a reason set forth in subsection 2 of section 88 of this**
10 **act:**

11
12 **UCC FINANCING STATEMENT**

13 **FOLLOW INSTRUCTIONS (front and back) CAREFULLY**

14 **A. NAME AND PHONE OF CONTACT AT FILER [optional]**

15

16 **B. SEND ACKNOWLEDGMENT TO: (Name and Address)**

17 **THE ABOVE SPACE IS FOR**

18 **FILING OFFICE USE ONLY**

19 **1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name**
20 **(1a or 1b) - Do not abbreviate or combine names**

21 **1a. ORGANIZATION'S NAME**

22

23 **OR 1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX**

24

25 **1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY**

26

27 **1d. TAX ID NO. ADD'L INFO. RE 1e. TYPE OF ORGANIZATION**
28 **SSN OR EIN ORGANIZATION DEBTOR**

29

30 **1f. JURISDICTION OF ORGANIZATION 1g. ORGANIZATIONAL ID No.,**
31 **if any**

32 **[] NONE**

33 **2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one**
34 **debtor name (2a or 2b) - do not abbreviate or combine names**

35 **2a. ORGANIZATION'S NAME**

36

37 **OR 2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX**

38

39 **2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY**

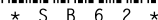
40

41 **2d. TAX ID NO. ADD'L INFO. RE 2e. TYPE OF ORGANIZATION**
42 **SSN OR EIN ORGANIZATION DEBTOR**

43



* S B 6 2 *



- 1 **OR 11b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX**
2
3 **11c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY**
4
5 **11d. TAX ID NO. ADD'L INFO. RE 11e. TYPE OF ORGANIZATION**
6 **SSN OR EIN ORGANIZATION DEBTOR**
7
8 **11f. JURISDICTION OF ORGANIZATION 11g. ORGANIZATIONAL ID No.**
9 **if any**
10 **[] NONE**
11 **12. [] ADDITIONAL SECURED PARTY'S or [] ASSIGNOR S/P'S NAME**
12 **- insert only one name (12a or 12 b)**
13 **12a. ORGANIZATION'S NAME**
14
15 **OR 12b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX**
16
17 **12c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY**
18
19 **13. This FINANCING STATEMENT covers [] timber to be cut or [] as-**
20 **extracted collateral, or is filed as a [] fixture filing.**
21 **14. Description of real estate:**
22
23 **15. Name and address of a RECORD OWNER of the above-described real**
24 **estate (if Debtor does not have record interest):**
25
26 **16. Additional collateral description:**
27
28 **17. Check only if applicable and check only one box:**
29 **Debtor is a [] Trust or [] Trustee acting with respect to property held in trust**
30 **or [] Decedent's Estate**
31 **18. Check only if applicable and check only one box:**
32 **[] Debtor is a TRANSMITTING UTILITY**
33 **[] Filed in connection with a Manufactured-Home Transaction - effective 30 years**
34 **[] Filed in connection with a Public-Finance Transaction - effective 30 years**
35 **FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT**
36 **(FORM UCC 1Ad) (REV. 7/29/98)**
37 **2. A filing office that accepts written records may not refuse to accept a**
38 **written record in the following form except for a reason set forth in subsection 2**
39 **of section 88 of this act:**
40
41 **UCC FINANCING STATEMENT AMENDMENT**
42 **FOLLOW INSTRUCTIONS (front and back) CAREFULLY**



* S B 6 2 *

- 1 A. NAME AND PHONE OF CONTACT AT FILER [optional]
2
3 B. SEND ACKNOWLEDGMENT TO: (Name and Address)
4 THE ABOVE SPACE IS FOR
5 FILING OFFICE USE ONLY
6 1a. INITIAL FINANCING STATEMENT FILE NO. 1b. [] This FINANCING
7 STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the
8 REAL ESTATE RECORDS.
9 2. [] TERMINATION: Effectiveness of the Financing Statement identified
10 above is terminated with respect to security interest(s) of the Secured Party
11 authorizing this Termination Statement.
12 3. [] CONTINUATION: Effectiveness of the Financing Statement identified
13 above with respect to security interest(s) of the Secured Party authorizing
14 this Continuation Statement is continued for the additional period provided
15 by applicable law.
16 4. [] ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b
17 and address of assignee in item 7c; and also give name of assignor in item
18 9.
19
20 5. AMENDMENT (PARTY INFORMATION): This Amendment affects []
21 Debtor or [] Secured Party of record. Check only one of these two boxes.
22 Also check one of the following three boxes and provide appropriate
23 information in items 6 and/or 7.
24 [] CHANGE name and/or address: Give current record name in item 6a
25 or 6b; also give new name (if name change) in item 7a or 7b and/or new
26 address (if address change) in item 7c.
27 [] DELETE name: give record name to be deleted in item 6a or 6b.
28 [] ADD name: Complete item 7a or 7b, and also item 7c; also complete
29 items 7d-7g (if applicable).
30 6. CURRENT RECORD INFORMATION:
31 6a. ORGANIZATION'S NAME:
32
33 OR 6b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX
34
35 7. CHANGED (NEW) OR ADDED INFORMATION:
36 7a. ORGANIZATION'S NAME:
37
38 OR 7b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX
39
40 7c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
41



* S B 6 2 *

1 7d. TAX ID NO. ADD'L INFO. RE 7e. TYPE OF ORGANIZATION
2 SSN OR EIN ORGANIZATION DEBTOR
3
4 7f. JURISDICTION OF ORGANIZATION 7g. ORGANIZATONAL ID No.,
5 if any
6 [] NONE
7 8. AMENDMENT (COLLATERAL CHANGE): check only one box
8 Describe collateral [] deleted or [] added, or give entire [] restated
9 collateral description, or describe collateral [] assigned.
10
11 9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS
12 AMENDMENT (name of assignor, if this is an assignment). If this is an
13 Amendment authorized by a Debtor which adds collateral or adds the
14 authorizing Debtor, or if this is a Termination authorized by a Debtor,
15 check here [] and enter name of Debtor authorizing this Amendment.
16 9a. ORGANIZATION'S NAME:
17
18 OR 9b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX
19
20 10. OPTIONAL FILE REFERENCE DATA
21
22 FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT AMENDMENT
23 (FORM UCC 3) (REV.7/29/98)
24
25 [BACK OF FORM]
26 UCC FINANCING STATEMENT ADDENDUM
27 FOLLOW INSTRUCTIONS (front and back) CAREFULLY
28 11. INITIAL FINANCING STATEMENT FILE NO. (same as item 1a on
29 amendment form)
30
31 12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9
32 on Amendment form)
33 12a. ORGANIZATION'S NAME
34
35 OR 12b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX
36
37 13. USE THIS SPACE FOR ADDITIONAL INFORMATION
38THE ABOVE SPACE IS FOR
39FILING OFFICE USE ONLY
40 FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT
41 AMENDMENT ADDENDUM (FORM UCC 3 Ad) (REV. 7/29/98)



* S B 6 2 *

1 3. A form that a filing office may not refuse to accept under
2 subsection 1 or 2 must conform to the format prescribed for the form by
3 the National Conference of Commissioners on Uniform State Laws.

4 Sec. 94. 1. The filing office shall maintain a record of the
5 information provided in a filed financing statement for at least 1 year
6 after the effectiveness of the financing statement has lapsed under
7 section 87 of this act with respect to all secured parties of record. The
8 record must be retrievable by using the name of the debtor and:

9 (a) If the record was filed or recorded in the filing office described in
10 paragraph (a) of subsection 1 of section 73 of this act, by using the file
11 number assigned to the initial financing statement to which the record
12 relates and the date that the record was filed or recorded; or

13 (b) If the record was filed in the filing office described in paragraph
14 (b) of subsection 1 of section 73 of this act, by using the file number
15 assigned to the initial financing statement to which the record relates.

16 2. Except to the extent that a statute governing disposition of public
17 records provides otherwise, the filing office immediately may destroy any
18 written record evidencing a financing statement. However, if the filing
19 office destroys a written record, it shall maintain another record of the
20 financing statement which complies with subsection 1.

21 Sec. 95. 1. If a person that files a written record requests an
22 acknowledgment of the filing, the filing office shall send him an image
23 of the record showing the number assigned to the record pursuant to
24 paragraph (a) of subsection 1 of section 91 of this act and the date and
25 time of the filing of the record. However, if he furnishes a copy of the
26 record to the filing office, the filing office may instead:

27 (a) Note upon the copy the number assigned to the record pursuant to
28 that paragraph and the date and time of the filing of the record; and

29 (b) Send the copy to him.

30 2. If a person files a record other than a written record, the filing
31 office shall communicate to him an acknowledgment that provides:

32 (a) The information in the record;

33 (b) The number assigned to the record pursuant to paragraph (a) of
34 subsection 1 of section 91 of this act; and

35 (c) The date and time of the filing of the record.

36 3. The filing office shall communicate or otherwise make available
37 in a record the following information to any person that requests it:

38 (a) Whether there is on file on a date and time specified by the filing
39 office, but not a date earlier than 3 business days before the filing office
40 receives the request, any financing statement that:

41 (1) Designates a particular debtor;

42 (2) Has not lapsed under section 87 of this act with respect to all
43 secured parties of record; and



* S B 6 2 *

1 (3) If the request so states, has lapsed under that section and a
2 record of which is maintained by the filing office under subsection 1 of
3 section 94 of this act;

4 (b) The date and time of filing of each financing statement; and

5 (c) The information provided in each financing statement.

6 4. In complying with its duty under subsection 3, the filing office
7 may communicate information in any medium. However, if requested,
8 the filing office shall communicate information by issuing its written
9 certificate.

10 5. The filing office described in paragraph (b) of subsection 1 of
11 section 73 of this act shall perform the acts required by subsections 1 to
12 4, inclusive, at the time and in the manner prescribed by filing-office
13 rule, but not later than two business days after the filing office receives
14 the request.

15 6. At least weekly, the secretary of state shall offer to sell or license to
16 the public on a nonexclusive basis, in bulk, copies of all records filed in it
17 under this part, in every medium from time to time available to the filing
18 office.

19 **Sec. 96.** Delay by the filing office beyond a time limit prescribed by
20 this part is excused if:

21 1. The delay is caused by interruption of communication or
22 computer facilities, war, emergency conditions, failure of equipment, or
23 other circumstances beyond control of the filing office; and

24 2. The filing office exercises reasonable diligence under the
25 circumstances.

26 **Sec. 97.** 1. Except as otherwise provided in subsection 5, the fee
27 for filing and indexing a record under this part, other than an initial
28 financing statement of the kind described in subsection 3 of section 74 of
29 this act, is:

30 (a) Twenty dollars if the record is communicated in writing and
31 consists of one or two pages;

32 (b) Forty dollars if the record is communicated in writing and consists
33 of more than two pages; and

34 (c) Ten dollars if the record is communicated by another medium
35 authorized by filing-office rule.

36 2. Except as otherwise provided in subsection 5, the fee for filing and
37 indexing an initial financing statement of the kind described in
38 subsection 3 of section 74 of this act is:

39 (a) Forty dollars if the financing statement indicates that it is filed in
40 connection with a public-finance transaction; and

41 (b) Twenty dollars if the financing statement indicates that it is filed in
42 connection with a manufactured-home transaction.



1 3. The number of names required to be indexed does not affect the
2 amount of the fee in subsections 1 and 2.

3 4. The fee for responding to a request for information from the filing
4 office, including for issuing a certificate showing whether there is on file
5 any financing statement naming a particular debtor, is:

6 (a) Twenty dollars if the request is communicated in writing; and

7 (b) Fifteen dollars if the request is communicated by another medium
8 authorized by filing-office rule.

9 5. This section does not require a fee with respect to a mortgage that
10 is effective as a financing statement filed as a fixture filing or as a
11 financing statement covering as-extracted collateral or timber to be cut
12 under subsection 3 of section 74 of this act. However, the fees for
13 recording and satisfaction which otherwise would be applicable to the
14 mortgage apply.

15 **Sec. 98.** 1. The secretary of state shall adopt and publish rules to
16 effectuate this article. The filing-office rules must be:

17 (a) Consistent with this article; and

18 (b) Adopted in accordance with the provisions of chapter 233B of
19 NRS.

20 2. To keep the filing-office rules and the practices of the filing office
21 in harmony with the rules and practices of filing offices in other
22 jurisdictions that enact substantially this part, and to keep the technology
23 used by the filing office compatible with the technology used by filing
24 offices in other jurisdictions that enact substantially this part, the
25 secretary of state, so far as is consistent with the purposes, policies, and
26 provisions of this article, in adopting, amending, and repealing filing-
27 office rules, shall:

28 (a) Consult with filing offices in other jurisdictions that enact
29 substantially this part;

30 (b) Consult the most recent version of the Model Rules promulgated
31 by the International Association of Corporate Administrators or any
32 successor organization; and

33 (c) Take into consideration the rules and practices of, and the
34 technology used by, filing offices in other jurisdictions that enact
35 substantially this part.

36 **Sec. 99.** The secretary of state shall report biennially on or before
37 the first Monday of February in each odd-numbered year to the governor
38 and legislature on the operation of the filing office. The report must
39 contain a statement of the extent to which:

40 1. The filing-office rules are not in harmony with the rules of filing
41 offices in other jurisdictions that enact substantially this part and the
42 reasons for these variations; and



* S B 6 2 *

1 2. The filing-office rules are not in harmony with the most recent
2 version of the Model Rules promulgated by the International Association
3 of Corporate Administrators, or any successor organization, and the
4 reasons for these variations.

5 **Sec. 100.** 1. After default, a secured party has the rights provided
6 in this part and, except as otherwise provided in section 101 of this act,
7 those provided by agreement of the parties. A secured party:

8 (a) May reduce a claim to judgment, foreclose, or otherwise enforce
9 the claim, security interest, or agricultural lien by any available judicial
10 procedure; and

11 (b) If the collateral is documents, may proceed either as to the
12 documents or as to the goods they cover.

13 2. A secured party in possession of collateral or control of collateral
14 under section 5, 6, 7, or 8 of this act has the rights and duties provided in
15 section 18 of this act.

16 3. The rights under subsections 1 and 2 are cumulative and may be
17 exercised simultaneously.

18 4. Except as otherwise provided in subsection 7 and section 104 of
19 this act, after default, a debtor and an obligor have the rights provided in
20 this part and by agreement of the parties.

21 5. If a secured party has reduced its claim to judgment, the lien of
22 any levy that may be made upon the collateral by virtue of an execution
23 based upon the judgment relates back to the earliest of:

24 (a) The date of perfection of the security interest or agricultural lien
25 in the collateral;

26 (b) The date of filing a financing statement covering the collateral; or

27 (c) Any date specified in a statute under which the agricultural lien
28 was created.

29 6. A sale pursuant to an execution is a foreclosure of the security
30 interest or agricultural lien by judicial procedure within the meaning of
31 this section. A secured party may purchase at the sale and thereafter hold
32 the collateral free of any other requirements of this article.

33 7. Except as otherwise provided in subsection 3 of section 106 of this
34 act, this part imposes no duties upon a secured party that is a consignor
35 or is a buyer of accounts, chattel paper, payment intangibles, or
36 promissory notes.

37 **Sec. 101.** Except as otherwise provided in section 123 of this act, to
38 the extent that they give rights to a debtor or obligor and impose duties
39 on a secured party, the debtor or obligor may not waive or vary the rules
40 stated in the following listed sections:

41 1. Subparagraph (3) of paragraph (d) of subsection 2 of section 18 of
42 this act, which deals with use and operation of the collateral by the
43 secured party;



* S B 6 2 *

- 1 2. Section 21 of this act, which deals with requests for an accounting
- 2 and requests concerning a list of collateral and statement of account;
- 3 3. Subsection 3 of section 106 of this act, which deals with collection
- 4 and enforcement of collateral;
- 5 4. Subsection 1 of section 107 of this act and subsection 3 of section
- 6 114 of this act to the extent that they deal with application or payment of
- 7 noncash proceeds of collection, enforcement, or disposition;
- 8 5. Subsection 1 of section 107 of this act and subsection 4 of section
- 9 114 of this act to the extent that they require accounting for or payment
- 10 of surplus proceeds of collateral;
- 11 6. Section 108 of this act to the extent that it imposes upon a secured
- 12 party that takes possession of collateral without judicial process the duty
- 13 to do so without breach of the peace;
- 14 7. Subsection 2 of section 109, and sections 110, 112, and 113 of this
- 15 act, which deal with disposition of collateral;
- 16 8. Subsection 6 of section 114 of this act, which deals with
- 17 calculation of a deficiency or surplus when a disposition is made to the
- 18 secured party, a person related to the secured party, or a secondary
- 19 obligor;
- 20 9. Section 115 of this act, which deals with explanation of the
- 21 calculation of a surplus or deficiency;
- 22 10. Sections 119, 120, and 121 of this act, which deal with
- 23 acceptance of collateral in satisfaction of obligation;
- 24 11. Section 122 of this act, which deals with redemption of collateral;
- 25 12. Section 123 of this act, which deals with permissible waivers; and
- 26 13. Sections 124 and 125 of this act, which deal with the secured
- 27 party's liability for failure to comply with this article.
- 28 **Sec. 102.** 1. The parties may determine by agreement the
- 29 standards measuring the fulfillment of the rights of a debtor or obligor
- 30 and the duties of a secured party under a rule stated in section 101 of this
- 31 act if the standards are not manifestly unreasonable.
- 32 2. Subsection 1 does not apply to the duty under section 108 of this
- 33 act to refrain from breaching the peace.
- 34 **Sec. 103.** 1. If a security agreement covers both personal and real
- 35 property, a secured party may proceed:
- 36 (a) Under this part as to the personal property without prejudicing any
- 37 rights with respect to the real property; or
- 38 (b) As to both the personal property and the real property in
- 39 accordance with the rights with respect to the real property, in which case
- 40 the other provisions of this part do not apply.
- 41 2. Subject to subsection 3, if a security agreement covers goods that
- 42 are or become fixtures, a secured party may proceed:
- 43 (a) Under this part; or



1 (b) In accordance with the rights with respect to real property, in
2 which case the other provisions of this part do not apply.

3 3. Subject to the other provisions of this part, if a secured party
4 holding a security interest in fixtures has priority over all owners and
5 encumbrancers of the real property, the secured party, after default, may
6 remove the collateral from the real property.

7 4. A secured party that removes collateral shall promptly reimburse
8 any encumbrancer or owner of the real property, other than the debtor,
9 for the cost of repair of any physical injury caused by the removal. The
10 secured party need not reimburse the encumbrancer or owner for any
11 diminution in value of the real property caused by the absence of the
12 goods removed or by any necessity of replacing them. A person entitled to
13 reimbursement may refuse permission to remove until the secured party
14 gives adequate assurance for the performance of the obligation to
15 reimburse.

16 **Sec. 104.** A secured party does not owe a duty based on its status as
17 secured party:

18 1. To a person that is a debtor or obligor, unless the secured party
19 knows:

- 20 (a) That he is a debtor or obligor;
21 (b) His identity; and
22 (c) How to communicate with him; or

23 2. To a secured party or lienholder that has filed a financing
24 statement against a person, unless the secured party knows:

- 25 (a) That the person is a debtor; and
26 (b) His identity.

27 **Sec. 105.** For purposes of this part, a default occurs in connection
28 with an agricultural lien at the time the secured party becomes entitled to
29 enforce the lien in accordance with the statute under which it was
30 created.

31 **Sec. 106.** 1. If so agreed, and in any event after default, a secured
32 party:

33 (a) May notify an account debtor or other person obligated on
34 collateral to make payment or otherwise render performance to or for the
35 benefit of the secured party;

36 (b) May take any proceeds to which the secured party is entitled under
37 section 36 of this act;

38 (c) May enforce the obligations of an account debtor or other person
39 obligated on collateral and exercise the rights of the debtor with respect
40 to the obligation of the account debtor or other person obligated on
41 collateral to make payment or otherwise render performance to the
42 debtor, and with respect to any property that secures the obligations of
43 the account debtor or other person obligated on the collateral;



* S B 6 2 *

- 1 (d) If it holds a security interest in a deposit account perfected by
2 control under paragraph (a) of subsection 1 of section 5 of this act, may
3 apply the balance of the deposit account to the obligation secured by the
4 deposit account; and
- 5 (e) If it holds a security interest in a deposit account perfected by
6 control under paragraph (b) or (c) of subsection 1 of section 5 of this act,
7 may instruct the bank to pay the balance of the deposit account to or for
8 the benefit of the secured party.
- 9 2. If necessary to enable a secured party to exercise under paragraph
10 (c) of subsection 1 the right of a debtor to enforce a mortgage
11 nonjudicially, the secured party may record in the office in which the
12 mortgage is recorded:
- 13 (a) A copy of the security agreement that creates or provides for a
14 security interest in the obligation secured by the mortgage; and
- 15 (b) The secured party's sworn affidavit in recordable form stating
16 that:
- 17 (1) A default has occurred; and
- 18 (2) The secured party is entitled to enforce the mortgage
19 nonjudicially.
- 20 3. A secured party shall proceed in a commercially reasonable
21 manner if the secured party:
- 22 (a) Undertakes to collect from or enforce an obligation of an account
23 debtor or other person obligated on collateral; and
- 24 (b) Is entitled to charge back uncollected collateral or otherwise to full
25 or limited recourse against the debtor or a secondary obligor.
- 26 4. A secured party may deduct from the collections made pursuant to
27 subsection 3 reasonable expenses of collection and enforcement,
28 including reasonable attorney's fees and legal expenses incurred by the
29 secured party.
- 30 5. This section does not determine whether an account debtor, bank,
31 or other person obligated on collateral owes a duty to a secured party.
- 32 **Sec. 107. 1. If a security interest or agricultural lien secures**
33 **payment or performance of an obligation, the following rules apply:**
- 34 (a) A secured party shall apply or pay over for application the cash
35 proceeds of collection or enforcement under this section in the following
36 order to:
- 37 (1) The reasonable expenses of collection and enforcement and, to
38 the extent provided for by agreement and not prohibited by law,
39 reasonable attorney's fees and legal expenses incurred by the secured
40 party;
- 41 (2) The satisfaction of obligations secured by the security interest or
42 agricultural lien under which the collection or enforcement is made; and



* S B 6 2 *

1 (3) The satisfaction of obligations secured by any subordinate
2 security interest in or other lien on the collateral subject to the security
3 interest or agricultural lien under which the collection or enforcement is
4 made if the secured party receives an authenticated demand for proceeds
5 before distribution of the proceeds is completed.

6 (b) If requested by a secured party, a holder of a subordinate security
7 interest or other lien shall furnish reasonable proof of the interest or lien
8 within a reasonable time. Unless the holder complies, the secured party
9 need not comply with the holder's demand under subparagraph (3) of
10 paragraph (a).

11 (c) A secured party need not apply or pay over for application noncash
12 proceeds of collection and enforcement under this section unless the
13 failure to do so would be commercially unreasonable. A secured party
14 that applies or pays over for application noncash proceeds shall do so in
15 a commercially reasonable manner.

16 (d) A secured party shall account to and pay a debtor for any surplus,
17 and the obligor is liable for any deficiency.

18 2. If the underlying transaction is a sale of accounts, chattel paper,
19 payment intangibles, or promissory notes, the debtor is not entitled to any
20 surplus, and the obligor is not liable for any deficiency.

21 **Sec. 108.** 1. After default, a secured party:

22 (a) May take possession of the collateral;

23 (b) If a debtor so agrees, may require the debtor to assemble the
24 collateral and make it available to the secured party at a place to be
25 designated by the secured party which is reasonably convenient to both
26 parties; and

27 (c) Without removal may render equipment unusable and dispose of
28 collateral on a debtor's premises under section 109 of this act.

29 2. A secured party may proceed under subsection 1:

30 (a) Pursuant to judicial process; or

31 (b) Without judicial process, if it proceeds without breach of the
32 peace.

33 **Sec. 109.** 1. After default, a secured party may sell, lease, license,
34 or otherwise dispose of any or all of the collateral in its present condition
35 or following any commercially reasonable preparation or processing.

36 2. Every aspect of a disposition of collateral, including the method,
37 manner, time, place, and other terms, must be commercially reasonable.
38 If commercially reasonable, a secured party may dispose of collateral by
39 public or private proceedings, by one or more contracts, as a unit or in
40 parcels, and at any time and place and on any terms.

41 3. A secured party may purchase collateral:

42 (a) At a public sale; or



* S B 6 2 *

1 (b) At a private sale only if the collateral is of a kind that is
2 customarily sold on a recognized market or the subject of widely
3 distributed standard price quotations.

4 4. A contract for sale, lease, license, or other disposition includes the
5 warranties relating to title, possession, quiet enjoyment, and the like
6 which by operation of law accompany a voluntary disposition of property
7 of the kind subject to the contract.

8 5. A secured party may disclaim or modify warranties under
9 subsection 4:

10 (a) In a manner that would be effective to disclaim or modify the
11 warranties in a voluntary disposition of property of the kind subject to the
12 contract of disposition; or

13 (b) By communicating to the purchaser a record evidencing the
14 contract for disposition and including an express disclaimer or
15 modification of the warranties.

16 6. A record is sufficient to disclaim warranties under subsection 5 if
17 it indicates “There is no warranty relating to title, possession, quiet
18 enjoyment, or the like in this disposition” or uses words of similar
19 import.

20 **Sec. 110. 1.** In this section, “notification date” means the earlier
21 of the date on which:

22 (a) A secured party sends to the debtor and any secondary obligor an
23 authenticated notification of disposition; or

24 (b) The debtor and any secondary obligor waive the right to
25 notification.

26 2. Except as otherwise provided in subsection 4, a secured party that
27 disposes of collateral under section 109 of this act shall send to the
28 persons specified in subsection 3 a reasonable authenticated notification
29 of disposition.

30 3. To comply with subsection 2, the secured party shall send an
31 authenticated notification of disposition to:

32 (a) The debtor;

33 (b) Any secondary obligor; and

34 (c) If the collateral is other than consumer goods:

35 (1) Any other person from which the secured party has received,
36 before the notification date, an authenticated notification of a claim of
37 an interest in the collateral;

38 (2) Any other secured party or lienholder that, 10 days before the
39 notification date, held a security interest in or other lien on the collateral
40 perfected by the filing of a financing statement that:

41 (I) Identified the collateral;

42 (II) Was indexed under the debtor’s name as of that date; and



* S B 6 2 *

1 (III) Was filed in the office in which to file a financing statement
2 against the debtor covering the collateral as of that date; and

3 (3) Any other secured party that, 10 days before the notification
4 date, held a security interest in the collateral perfected by compliance
5 with a statute, regulation, or treaty described in subsection 1 of section 32
6 of this act.

7 4. Subsection 2 does not apply if the collateral is perishable or
8 threatens to decline speedily in value or is of a type customarily sold on a
9 recognized market.

10 5. A secured party complies with the requirement for notification
11 prescribed by subparagraph (2) of paragraph (c) of subsection 3 if:

12 (a) Not later than 20 days or earlier than 30 days before the
13 notification date, the secured party requests, in a commercially
14 reasonable manner, information concerning financing statements
15 indexed under the debtor's name in the office indicated in that
16 subparagraph; and

17 (b) Before the notification date, the secured party:

18 (1) Did not receive a response to the request for information; or

19 (2) Received a response to the request for information and sent an
20 authenticated notification of disposition to each secured party named in
21 that response whose financing statement covered the collateral.

22 **Sec. 111.** 1. Except as otherwise provided in subsection 2, whether
23 a notification is sent within a reasonable time is a question of fact.

24 2. In a transaction other than a consumer transaction, a notification
25 of disposition sent after default and 10 days or more before the earliest
26 time of disposition set forth in the notification is sent within a reasonable
27 time before the disposition.

28 **Sec. 112.** Except in a consumer-goods transaction, the following
29 rules apply:

30 1. The contents of a notification of disposition are sufficient if the
31 notification:

32 (a) Describes the debtor and the secured party;

33 (b) Describes the collateral that is the subject of the intended
34 disposition;

35 (c) States the method of intended disposition;

36 (d) States that the debtor is entitled to an accounting of the unpaid
37 indebtedness and states the charge, if any, for an accounting; and

38 (e) States the time and place of a public sale or the time after which
39 any other disposition is to be made.

40 2. Whether the contents of a notification that lacks any of the
41 information specified in subsection 1 are nevertheless sufficient is a
42 question of fact.



* S B 6 2 *

1 3. The contents of a notification providing substantially the
2 information specified in subsection 1 are sufficient, even if the
3 notification includes:

- 4 (a) Information not specified by that subsection; or
5 (b) Minor errors that are not seriously misleading.

6 4. A particular phrasing of the notification is not required.

7 5. The following form of notification and the form appearing in
8 subsection 3 of section 113 of this act, when completed, each provides
9 sufficient information:

10
11 **NOTIFICATION OF DISPOSITION OF COLLATERAL**

12 **To:** [Name of debtor, obligor, or other
13 person to which the notification is
14 sent]

15 **From:** [Name, address, and telephone
16 number of secured party]

17 **Name of Debtor(s):** [Include only if debtor(s) are not an
18 addressee]

19 [For a public disposition:]

20 We will sell [or lease or license, as applicable] the [describe collateral]
21 [to the highest qualified bidder] in public as follows:

22 **Day and Date:**

23 **Time:**

24 **Place:**

25 [For a private disposition:]

26 We will sell [or lease or license, as applicable] the [describe collateral]
27 privately sometime after [day and date].

28
29 You are entitled to an accounting of the unpaid indebtedness secured by
30 the property that we intend to sell [or lease or license, as applicable] [for
31 a charge of \$___]. You may request an accounting by calling us at
32 [telephone number].

33 **Sec. 113.** In a consumer-goods transaction, the following rules
34 apply:

35 1. A notification of disposition must provide the following
36 information:

37 (a) The information specified in subsection 1 of section 112 of this
38 act;

39 (b) A description of any liability for a deficiency of the person to
40 which the notification is sent;

41 (c) A telephone number from which the amount that must be paid to
42 the secured party to redeem the collateral under section 122 of this act is
43 available; and



* S B 6 2 *

1 (d) A telephone number or mailing address from which additional
2 information concerning the disposition and the obligation secured is
3 available.
4 2. A particular phrasing of the notification is not required.
5 3. The following form of notification, when completed, provides
6 sufficient information:
7 [Name and address of secured party]
8 [Date]
9 NOTICE OF OUR PLAN TO SELL PROPERTY
10 [Name and address of any obligor who is also a debtor]
11 Subject: [Identification of Transaction]
12
13 We have your [describe collateral], because you broke promises in our
14 agreement.
15
16 [For a public disposition:]
17 We will sell [describe collateral] at public sale. A sale could include a
18 lease or license. The sale will be held as follows:
19 Date:
20 Time:
21 Place:
22 You may attend the sale and bring bidders if you want.
23
24 [For a private disposition:]
25 We will sell [describe collateral] at private sale sometime after [date].
26 A sale could include a lease or license.
27
28 The money that we get from the sale (after paying our costs) will reduce
29 the amount you owe. If we get less money than you owe, you [will or
30 will not, as applicable] still owe us the difference. If we get more money
31 than you owe, you will get the extra money, unless we must pay it to
32 someone else.
33
34 You can get the property back at any time before we sell it by paying us
35 the full amount you owe (not just the past due payments), including our
36 expenses. To learn the exact amount you must pay, call us at [telephone
37 number].
38
39 If you want us to explain to you in writing how we have figured the
40 amount that you owe us, you may call us at [telephone number] or
41 write us at [secured party's address] and request a written explanation.
42 [We will charge you \$___ for the explanation if we sent you another
43 written explanation of the amount you owe us within the last 6 months.]



* S B 6 2 *

1 *If you need more information about the sale call us at [telephone*
2 *number] or write us at [secured party's address].*

3
4 *We are sending this notice to the following other people who have an*
5 *interest in [describe collateral] or who owe money under your*
6 *agreement:*

7 *[Names of all other debtors and obligors, if any]*

8
9 *4. A notification in the form of subsection 3 is sufficient, even if*
10 *additional information appears at the end of the form.*

11 *5. A notification in the form of subsection 3 is sufficient, even if it*
12 *includes errors in information not required by subsection 1, unless the*
13 *error is misleading with respect to rights arising under this article.*

14 *6. If a notification under this section is not in the form of subsection*
15 *3, law other than this article determines the effect of including*
16 *information not required by subsection 1.*

17 **Sec. 114. 1.** *A secured party shall apply or pay over for application*
18 *the cash proceeds of disposition in the following order to:*

19 *(a) The reasonable expenses of retaking, holding, preparing for*
20 *disposition, processing, and disposing, and, to the extent provided for by*
21 *agreement and not prohibited by law, reasonable attorney's fees and*
22 *legal expenses incurred by the secured party;*

23 *(b) The satisfaction of obligations secured by the security interest or*
24 *agricultural lien under which the disposition is made;*

25 *(c) The satisfaction of obligations secured by any subordinate security*
26 *interest in or other subordinate lien on the collateral if:*

27 *(1) The secured party receives from the holder of the subordinate*
28 *security interest or other lien an authenticated demand for proceeds*
29 *before distribution of the proceeds is completed; and*

30 *(2) In a case in which a consignor has an interest in the collateral,*
31 *the subordinate security interest or other lien is senior to the interest of*
32 *the consignor; and*

33 *(d) A secured party that is a consignor of the collateral if the secured*
34 *party receives from the consignor an authenticated demand for proceeds*
35 *before distribution of the proceeds is completed.*

36 *2. If requested by a secured party, a holder of a subordinate security*
37 *interest or other lien shall furnish reasonable proof of the interest or lien*
38 *within a reasonable time. Unless the holder does so, the secured party*
39 *need not comply with the holder's demand under paragraph (c) of*
40 *subsection 1.*

41 *3. A secured party need not apply or pay over for application*
42 *noncash proceeds of disposition under this section unless the failure to*
43 *do so would be commercially unreasonable. A secured party that applies*



* S B 6 2 *

1 or pays over for application noncash proceeds shall do so in a
2 commercially reasonable manner.

3 4. If the security interest under which a disposition is made secures
4 payment or performance of an obligation, after making the payments
5 and applications required by subsection 1 and permitted by subsection 3:

6 (a) Unless paragraph (d) of subsection 1 requires the secured party to
7 apply or pay over cash proceeds to a consignor, the secured party shall
8 account to and pay a debtor for any surplus; and

9 (b) The obligor is liable for any deficiency.

10 5. If the underlying transaction is a sale of accounts, chattel paper,
11 payment intangibles, or promissory notes:

12 (a) The debtor is not entitled to any surplus; and

13 (b) The obligor is not liable for any deficiency.

14 6. The surplus or deficiency following a disposition is calculated
15 based on the amount of proceeds that would have been realized in a
16 disposition complying with this part to a transferee other than the
17 secured party, a person related to the secured party, or a secondary
18 obligor if:

19 (a) The transferee in the disposition is the secured party, a person
20 related to the secured party, or a secondary obligor; and

21 (b) The amount of proceeds of the disposition is significantly below
22 the range of proceeds that a complying disposition to a person other than
23 the secured party, a person related to the secured party, or a secondary
24 obligor would have brought.

25 7. A secured party that receives cash proceeds of a disposition in
26 good faith and without knowledge that the receipt violates the rights of
27 the holder of a security interest or other lien that is not subordinate to the
28 security interest or agricultural lien under which the disposition is made:

29 (a) Takes the cash proceeds free of the security interest or other lien;

30 (b) Is not obligated to apply the proceeds of the disposition to the
31 satisfaction of obligations secured by the security interest or other lien;
32 and

33 (c) Is not obligated to account to or pay the holder of the security
34 interest or other lien for any surplus.

35 **Sec. 115. 1. In this section:**

36 (a) “Explanation” means a writing that:

37 (1) States the amount of the surplus or deficiency;

38 (2) Provides an explanation in accordance with subsection 3 of how
39 the secured party calculated the surplus or deficiency;

40 (3) States, if applicable, that future debits, credits, charges,
41 including additional credit service charges or interest rebates, and
42 expenses may affect the amount of the surplus or deficiency; and



* S B 6 2 *

- 1 (4) Provides a telephone number or mailing address from which
2 additional information concerning the transaction is available.
- 3 (b) “Request” means a record:
- 4 (1) Authenticated by a debtor or consumer obligor;
- 5 (2) Requesting that the recipient provide an explanation; and
- 6 (3) Sent after disposition of the collateral under section 109 of this
7 act.
- 8 2. In a consumer-goods transaction in which the debtor is entitled to
9 a surplus or a consumer obligor is liable for a deficiency under section
10 114 of this act, the secured party shall:
- 11 (a) Send an explanation to the debtor or consumer obligor, as
12 applicable, after the disposition and:
- 13 (1) Before or when the secured party accounts to the debtor and
14 pays any surplus or first makes written demand on the consumer obligor
15 after the disposition for payment of the deficiency; and
- 16 (2) Within 14 days after receipt of a request; or
- 17 (b) In the case of a consumer obligor who is liable for a deficiency,
18 within 14 days after receipt of a request, send to the consumer obligor a
19 record waiving the secured party’s right to a deficiency.
- 20 3. To comply with subparagraph (2) of paragraph (a) of subsection
21 1, a writing must provide the following information in the following
22 order:
- 23 (a) The aggregate amount of obligations secured by the security
24 interest under which the disposition was made, and, if the amount
25 reflects a rebate of unearned interest or credit service charge, an
26 indication of that fact, calculated as of a specified date:
- 27 (1) If the secured party takes or receives possession of the collateral
28 after default, not more than 35 days before the secured party takes or
29 receives possession; or
- 30 (2) If the secured party takes or receives possession of the collateral
31 before default or does not take possession of the collateral, not more than
32 35 days before the disposition;
- 33 (b) The amount of proceeds of the disposition;
- 34 (c) The aggregate amount of the obligations after deducting the
35 amount of proceeds;
- 36 (d) The amount, in the aggregate or by type, and types of expenses,
37 including expenses of retaking, holding, preparing for disposition,
38 processing, and disposing of the collateral, and attorney’s fees secured by
39 the collateral which are known to the secured party and relate to the
40 current disposition;
- 41 (e) The amount, in the aggregate or by type, and types of credits,
42 including rebates of interest or credit service charges, to which the



* S B 6 2 *

1 obligor is known to be entitled and which are not reflected in the amount
2 in paragraph (a); and

3 (f) The amount of the surplus or deficiency.

4 4. A particular phrasing of the explanation is not required. An
5 explanation complying substantially with the requirements of paragraph
6 (a) of subsection 1 is sufficient, even if it includes minor errors that are
7 not seriously misleading.

8 5. A debtor or consumer obligor is entitled without charge to one
9 response to a request under this section during any 6-month period in
10 which the secured party did not send to the debtor or consumer obligor
11 an explanation pursuant to paragraph (a) of subsection 2. The secured
12 party may require payment of a charge not exceeding \$25 for each
13 additional response.

14 **Sec. 116.** 1. A secured party's disposition of collateral after
15 default:

16 (a) Transfers to a transferee for value all of the debtor's rights in the
17 collateral;

18 (b) Discharges the security interest under which the disposition is
19 made; and

20 (c) Discharges any subordinate security interest or other subordinate
21 lien.

22 2. A transferee that acts in good faith takes free of the rights and
23 interests described in subsection 1, even if the secured party fails to
24 comply with this article or the requirements of any judicial proceeding.

25 3. If a transferee does not take free of the rights and interests
26 described in subsection 1, he takes the collateral subject to:

27 (a) The debtor's rights in the collateral;

28 (b) The security interest or agricultural lien under which the
29 disposition is made; and

30 (c) Any other security interest or other lien.

31 **Sec. 117.** 1. A secondary obligor acquires the rights and becomes
32 obligated to perform the duties of the secured party after the secondary
33 obligor:

34 (a) Receives an assignment of a secured obligation from the secured
35 party;

36 (b) Receives a transfer of collateral from the secured party and agrees
37 to accept the rights and assume the duties of the secured party; or

38 (c) Is subrogated to the rights of a secured party with respect to
39 collateral.

40 2. An assignment, transfer, or subrogation described in subsection 1:

41 (a) Is not a disposition of collateral under section 109 of this act; and

42 (b) Relieves the secured party of further duties under this article.



* S B 6 2 *

- 1 **Sec. 118.** 1. In this section, “transfer statement” means a record
2 authenticated by a secured party stating:
3 (a) That the debtor has defaulted in connection with an obligation
4 secured by specified collateral;
5 (b) That the secured party has exercised its post-default remedies with
6 respect to the collateral;
7 (c) That, by reason of the exercise, a transferee has acquired the
8 rights of the debtor in the collateral; and
9 (d) The name and mailing address of the secured party, debtor, and
10 transferee.
- 11 2. A transfer statement entitles the transferee to the transfer of
12 record of all rights of the debtor in the collateral specified in the
13 statement in any official filing, recording, registration, or certificate-of-
14 title system covering the collateral. If a transfer statement is presented
15 with the applicable fee and request form to the official or office
16 responsible for maintaining the system, the official or office shall:
17 (a) Accept the transfer statement;
18 (b) Promptly amend its records to reflect the transfer; and
19 (c) If applicable, issue a new appropriate certificate of title in the
20 name of the transferee.
- 21 3. A transfer of the record or legal title to collateral to a secured
22 party under subsection 2 or otherwise is not of itself a disposition of
23 collateral under this article and does not of itself relieve the secured party
24 of its duties under this article.
- 25 **Sec. 119.** 1. Except as otherwise provided in subsection 7, a
26 secured party may accept collateral in full or partial satisfaction of the
27 obligation it secures only if:
28 (a) The debtor consents to the acceptance under subsection 3;
29 (b) The secured party does not receive, within the time set forth in
30 subsection 5, a notification of objection to the proposal authenticated by:
31 (1) A person to which the secured party was required to send a
32 proposal under section 120 of this act; or
33 (2) Any other person, other than the debtor, holding an interest in
34 the collateral subordinate to the security interest that is the subject of the
35 proposal;
36 (c) If the collateral is consumer goods, the collateral is not in the
37 possession of the debtor when the debtor consents to the acceptance; and
38 (d) Subsection 5 does not require the secured party to dispose of the
39 collateral.
- 40 2. A purported or apparent acceptance of collateral under this
41 section is ineffective unless:
42 (a) The secured party consents to the acceptance in an authenticated
43 record or sends a proposal to the debtor; and



1 (b) The conditions of subsection 1 are met.

2 3. For purposes of this section:

3 (a) A debtor consents to an acceptance of collateral in partial
4 satisfaction of the obligation it secures only if he agrees to the terms of
5 the acceptance in a record authenticated after default; and

6 (b) A debtor consents to an acceptance of collateral in full satisfaction
7 of the obligation it secures only if he agrees to the terms of the
8 acceptance in a record authenticated after default or the secured party:

9 (1) Sends to the debtor after default a proposal that is unconditional
10 or subject only to a condition that collateral not in the possession of the
11 secured party be preserved or maintained;

12 (2) In the proposal, proposes to accept collateral in full satisfaction
13 of the obligation it secures; and

14 (3) Does not receive a notification of objection authenticated by the
15 debtor within 20 days after the proposal is sent.

16 4. To be effective under paragraph (b) of subsection 1, a notification
17 of objection must be received by the secured party:

18 (a) In the case of a person to which the proposal was sent pursuant to
19 section 120 of this act, within 20 days after notification was sent to him;
20 and

21 (b) In other cases:

22 (1) Within 20 days after the last notification was sent pursuant to
23 section 120 of this act; or

24 (2) If a notification was not sent, before the debtor consents to the
25 acceptance under subsection 3.

26 5. A secured party that has taken possession of collateral shall
27 dispose of the collateral pursuant to section 109 of this act within the
28 time specified in subsection 6 if:

29 (a) Sixty percent of the cash price has been paid in the case of a
30 purchase-money security interest in consumer goods; or

31 (b) Sixty percent of the principal amount of the obligation secured has
32 been paid in the case of a non-purchase-money security interest in
33 consumer goods.

34 6. To comply with subsection 5, the secured party shall dispose of the
35 collateral:

36 (a) Within 90 days after taking possession; or

37 (b) Within any longer period to which the debtor and all secondary
38 obligors have agreed in an agreement to that effect entered into and
39 authenticated after default.

40 7. In a consumer transaction, a secured party may not accept
41 collateral in partial satisfaction of the obligation it secures.



* S B 6 2 *

1 **Sec. 120.** 1. A secured party that desires to accept collateral in full
2 or partial satisfaction of the obligation it secures shall send its proposal
3 to:

4 (a) Any person from which the secured party has received, before the
5 debtor consented to the acceptance, an authenticated notification of a
6 claim of an interest in the collateral;

7 (b) Any other secured party or lienholder that, 10 days before the
8 debtor consented to the acceptance, held a security interest in or other
9 lien on the collateral perfected by the filing of a financing statement that:

10 (1) Identified the collateral;

11 (2) Was indexed under the debtor's name as of that date; and

12 (3) Was filed in the office or offices in which to file a financing
13 statement against the debtor covering the collateral as of that date; and

14 (c) Any other secured party that, 10 days before the debtor consented
15 to the acceptance, held a security interest in the collateral perfected by
16 compliance with a statute, regulation, or treaty described in subsection 1
17 of section 32 of this act.

18 2. A secured party that desires to accept collateral in partial
19 satisfaction of the obligation it secures shall send its proposal to any
20 secondary obligor in addition to the persons described in subsection 1.

21 **Sec. 121.** 1. A secured party's acceptance of collateral in full or
22 partial satisfaction of the obligation it secures:

23 (a) Discharges the obligation to the extent consented to by the debtor;

24 (b) Transfers to the secured party all of a debtor's rights in the
25 collateral;

26 (c) Discharges the security interest or agricultural lien that is the
27 subject of the debtor's consent and any subordinate security interest or
28 other subordinate lien; and

29 (d) Terminates any other subordinate interest.

30 2. A subordinate interest is discharged or terminated under
31 subsection 1 even if the secured party fails to comply with this article.

32 **Sec. 122.** 1. A debtor, any secondary obligor, or any other secured
33 party or lienholder may redeem collateral.

34 2. To redeem collateral, a person must tender:

35 (a) Fulfillment of all obligations secured by the collateral; and

36 (b) The reasonable expenses and attorney's fees described in
37 paragraph (a) of subsection 1 of section 114 of this act.

38 3. A redemption may occur at any time before a secured party:

39 (a) Has collected collateral under section 106 of this act;

40 (b) Has disposed of collateral or entered into a contract for its
41 disposition under section 109 of this act; or

42 (c) Has accepted collateral in full or partial satisfaction of the
43 obligation it secures under section 121 of this act.



* S B 6 2 *

1 **Sec. 123.** 1. A debtor or secondary obligor may waive the right to
2 notification of disposition of collateral under section 110 of this act only
3 by an agreement to that effect entered into and authenticated after
4 default.

5 2. Except in a consumer-goods transaction, a debtor or secondary
6 obligor may waive the right to redeem collateral under section 122 of this
7 act only by an agreement to that effect entered into and authenticated
8 after default.

9 **Sec. 124.** 1. If it is established that a secured party is not
10 proceeding in accordance with this article, a court may order or restrain
11 collection, enforcement, or disposition of collateral on appropriate terms
12 and conditions.

13 2. Subject to subsections 3, 4, and 6, a person is liable for damages
14 in the amount of any loss caused by a failure to comply with this article.
15 Loss caused by a failure to comply with a request under section 21 of this
16 act may include loss resulting from the debtor's inability to obtain, or
17 increased costs of, alternative financing.

18 3. Except as otherwise provided in section 127 of this act:

19 (a) A person that, at the time of the failure, was a debtor, was an
20 obligor, or held a security interest in or other lien on the collateral may
21 recover damages under subsection 2 for its loss; and

22 (b) If the collateral is consumer goods, a person that was a debtor or a
23 secondary obligor at the time a secured party failed to comply with this
24 part may recover for that failure in any event an amount not less than
25 the credit service charge plus 10 percent of the principal amount of the
26 obligation or the time-price differential plus 10 percent of the cash price.

27 4. A debtor whose deficiency is eliminated under section 125 of this
28 act may recover damages for the loss of any surplus. However, a debtor
29 or secondary obligor whose deficiency is eliminated or reduced under
30 that section may not otherwise recover under subsection 2 for
31 noncompliance with the provisions of this part relating to collection,
32 enforcement, disposition, or acceptance.

33 5. In addition to any damages recoverable under subsection 2, the
34 debtor, consumer obligor, or person named as a debtor in a filed record,
35 as applicable, may recover \$500 in each case from a person that:

36 (a) Fails to comply with section 19 of this act;

37 (b) Fails to comply with section 20 of this act;

38 (c) Files a record that he is not entitled to file under subsection 1 of
39 section 81 of this act;

40 (d) Fails to cause the secured party of record to file or send a
41 termination statement as required by subsection 1 or 3 of section 85 of
42 this act;



* S B 6 2 *

1 (e) Fails to comply with paragraph (a) of subsection 2 of section 115
2 of this act and whose failure is part of a pattern, or consistent with a
3 practice, of noncompliance; or

4 (f) Fails to comply with paragraph (b) of subsection 2 of section 115
5 of this act.

6 6. A debtor or consumer obligor may recover damages under
7 subsection 2 and, in addition, \$500 in each case from a person that,
8 without reasonable cause, fails to comply with a request under section 21
9 of this act. A recipient of a request under that section which never
10 claimed an interest in the collateral or obligations that are the subject of
11 a request under that section has a reasonable excuse for failure to
12 comply with the request within the meaning of this subsection.

13 7. If a secured party fails to comply with a request regarding a list of
14 collateral or a statement of account under section 21 of this act, the
15 secured party may claim a security interest only as shown in the
16 statement included in the request as against a person that is reasonably
17 misled by the failure.

18 **Sec. 125.** 1. In an action arising from a transaction, other than a
19 consumer transaction, in which the amount of a deficiency or surplus is
20 in issue, the following rules apply:

21 (a) A secured party need not prove compliance with the provisions of
22 this part relating to collection, enforcement, disposition, or acceptance
23 unless the debtor or a secondary obligor places the secured party's
24 compliance in issue.

25 (b) If the secured party's compliance is placed in issue, the secured
26 party has the burden of establishing that the collection, enforcement,
27 disposition, or acceptance was conducted in accordance with this part.

28 (c) Except as otherwise provided in section 127 of this act, if a secured
29 party fails to prove that the collection, enforcement, disposition, or
30 acceptance was conducted in accordance with the provisions of this part
31 relating to collection, enforcement, disposition, or acceptance, the
32 liability of a debtor or a secondary obligor for a deficiency is limited to
33 an amount by which the sum of the secured obligation, expenses, and
34 attorney's fees exceeds the greater of:

35 (1) The proceeds of the collection, enforcement, disposition, or
36 acceptance; or

37 (2) The amount of proceeds that would have been realized had the
38 noncomplying secured party proceeded in accordance with the provisions
39 of this part relating to collection, enforcement, disposition, or
40 acceptance.

41 (d) For purposes of subparagraph (2) of paragraph (c), the amount of
42 proceeds that would have been realized is equal to the sum of the secured



* S B 6 2 *

1 obligation, expenses, and attorney's fees unless the secured party proves
2 that the amount is less than that sum.

3 (e) If a deficiency or surplus is calculated under subsection 6 of
4 section 114 of this act, the debtor or obligor has the burden of
5 establishing that the amount of proceeds of the disposition is significantly
6 below the range of prices that a complying disposition to a person other
7 than the secured party, a person related to the secured party, or a
8 secondary obligor would have brought.

9 2. The limitation of the rules in subsection 1 to transactions other
10 than consumer transactions leaves to the court the determination of the
11 proper rules in consumer transactions. The court may not infer from that
12 limitation the nature of the proper rule in consumer transactions and
13 may continue to apply established approaches.

14 **Sec. 126.** 1. The fact that a greater amount could have been
15 obtained by a collection, enforcement, disposition, or acceptance at a
16 different time or in a different method from that selected by the secured
17 party is not of itself sufficient to preclude the secured party from
18 establishing that the collection, enforcement, disposition, or acceptance
19 was made in a commercially reasonable manner.

20 2. A disposition of collateral is made in a commercially reasonable
21 manner if the disposition is made:

22 (a) In the usual manner on any recognized market;

23 (b) At the price current in any recognized market at the time of the
24 disposition; or

25 (c) Otherwise in conformity with reasonable commercial practices
26 among dealers in the type of property that was the subject of the
27 disposition.

28 3. A collection, enforcement, disposition, or acceptance is
29 commercially reasonable if it has been approved:

30 (a) In a judicial proceeding;

31 (b) By a genuine creditors' committee;

32 (c) By a representative of creditors; or

33 (d) By an assignee for the benefit of creditors.

34 4. Approval under subsection 3 need not be obtained, and lack of
35 approval does not mean that the collection, enforcement, disposition, or
36 acceptance is not commercially reasonable.

37 **Sec. 127.** 1. Unless a secured party knows that a person is a debtor
38 or obligor, knows his identity, and knows how to communicate with him:

39 (a) The secured party is not liable to the person, or to a secured party
40 or lienholder that has filed a financing statement against him, for failure
41 to comply with this article; and

42 (b) The secured party's failure to comply with this article does not
43 affect the liability of the person for a deficiency.



* S B 6 2 *

- 1 2. A secured party is not liable because of its status as a secured
2 party:
3 (a) To a person that is a debtor or obligor, unless the secured party
4 knows:
5 (1) That he is a debtor or obligor;
6 (2) His identity; and
7 (3) How to communicate with him; or
8 (b) To a secured party or lienholder that has filed a financing
9 statement against a person, unless the secured party knows:
10 (1) That he is a debtor; and
11 (2) His identity.
- 12 3. A secured party is not liable to any person, and a person's liability
13 for a deficiency is not affected, because of any act or omission arising
14 out of the secured party's reasonable belief that a transaction is not a
15 consumer-goods transaction or a consumer transaction or that goods are
16 not consumer goods, if the secured party's belief is based on its
17 reasonable reliance on:
18 (a) A debtor's representation concerning the purpose for which
19 collateral was to be used, acquired, or held; or
20 (b) An obligor's representation concerning the purpose for which a
21 secured obligation was incurred.
- 22 4. A secured party is not liable to any person under paragraph (b) of
23 subsection 3 of section 124 of this act for its failure to comply with
24 section 115 of this act.
- 25 5. A secured party is not liable under paragraph (b) of subsection 3
26 of section 124 of this act more than once with respect to any one secured
27 obligation.
- 28 **Sec. 128.** 1. Except as otherwise provided in sections 128 to 134,
29 inclusive, of this act, this article as amended applies to a transaction or
30 lien within its scope, even if the transaction or lien was entered into or
31 created before the amendments to this article take effect.
- 32 2. Except as otherwise provided in subsection 3 and sections 129 to
33 134, inclusive, of this act:
34 (a) Transactions and liens that were not governed by this article
35 before January 1, 2001, were validly entered into or created before that
36 date, and would be subject to this article if they had been entered into or
37 created after that date, and the rights, duties, and interests flowing from
38 those transactions and liens remain valid on and after that date; and
39 (b) The transactions and liens may be terminated, completed,
40 consummated, or enforced as required or permitted by this article or by
41 the law that otherwise would apply if this article had not taken effect.
- 42 3. This article as amended does not affect an action, case, or
43 proceeding commenced before January 1, 2001.



* S B 6 2 *

1 **Sec. 129.** 1. A security interest that is enforceable immediately
2 before January 1, 2001, and would have priority over the rights of a
3 person that becomes a lien creditor at that time is a perfected security
4 interest under this article if, when this article as amended takes effect,
5 the applicable requirements for enforceability and perfection under this
6 article as amended are satisfied without further action.

7 2. Except as otherwise provided in section 131 of this act, if,
8 immediately before January 1, 2001, a security interest is enforceable
9 and would have priority over the rights of a person that becomes a lien
10 creditor at that time, but the applicable requirements for enforceability or
11 perfection under this article as amended are not satisfied on January 1,
12 2001, the security interest:

13 (a) Is a perfected security interest for 1 year after January 1, 2001;

14 (b) Remains enforceable thereafter only if the security interest
15 becomes enforceable under section 14 of this act before the year expires;
16 and

17 (c) Remains perfected thereafter only if the applicable requirements
18 for perfection under this article as amended are satisfied before the year
19 expires.

20 **Sec. 130.** A security interest that is enforceable immediately before
21 January 1, 2001, but which would be subordinate to the rights of a
22 person that becomes a lien creditor at that time:

23 1. Remains an enforceable security interest for 1 year after January
24 1, 2001;

25 2. Remains enforceable thereafter if the security interest becomes
26 enforceable under section 14 of this act when this article as amended
27 takes effect or within 1 year thereafter; and

28 3. Becomes perfected:

29 (a) Without further action, on January 1, 2001, if the applicable
30 requirements for perfection under this article as amended are satisfied
31 before or at that time; or

32 (b) When the applicable requirements for perfection are satisfied if
33 the requirements are satisfied after that time.

34 **Sec. 131.** 1. If action, other than the filing of a financing
35 statement, is taken before January 1, 2001, and the action would have
36 resulted in priority of a security interest over the rights of a person that
37 becomes a lien creditor had the security interest become enforceable
38 before that date, the action is effective to perfect a security interest that
39 attaches under this article as amended within 1 year after that date. An
40 attached security interest becomes unperfected 1 year after January 1,
41 2001, unless the security interest becomes a perfected security interest
42 under this article as amended before the expiration of that period.



* S B 6 2 *

1 2. The filing of a financing statement before January 1, 2001, is
2 effective to perfect a security interest to the extent the filing would satisfy
3 the applicable requirements for perfection under this article as amended.

4 3. This article as amended does not render ineffective an effective
5 financing statement that was filed before January 1, 2001, and satisfied
6 the applicable requirements for perfection under the law of the
7 jurisdiction governing perfection as provided in section 4 of this act as
8 that section read at the time of filing. However, except as otherwise
9 provided in subsections 4 and 5 and section 134 of this act, the financing
10 statement ceases to be effective at the earlier of:

11 (a) The time the financing statement would have ceased to be effective
12 under the law of the jurisdiction in which it is filed; or

13 (b) June 30, 2006.

14 4. The filing of a continuation statement after January 1, 2001, does
15 not continue the effectiveness of the financing statement filed before that
16 date. However, upon the timely filing of a continuation statement after
17 that date and in accordance with the law of the jurisdiction governing
18 perfection as provided in Part 3, the effectiveness of a financing
19 statement filed in the same office in that jurisdiction before that date
20 continues for the period provided by the law of that jurisdiction.

21 5. Paragraph (b) of subsection 3 applies to a financing statement
22 that was filed against a transmitting utility before January 1, 2001, and
23 satisfied the applicable requirements for perfection under the law of the
24 jurisdiction governing perfection as provided in section 4 of this act as
25 that section read at the time of filing only to the extent that Part 3
26 provides that the law of a jurisdiction other than jurisdiction in which the
27 financing statement is filed governs perfection of a security interest in
28 collateral covered by the financing statement.

29 6. A financing statement that includes a financing statement filed
30 before January 1, 2001, and a continuation statement filed after that date
31 are effective only to the extent that the financing statement satisfies the
32 requirements of Part 5 for an initial financing statement.

33 **Sec. 132.** 1. The filing of an initial financing statement in the
34 office specified in section 73 of this act continues the effectiveness of a
35 financing statement filed before January 1, 2001, if:

36 (a) The filing of an initial financing statement in that office would be
37 effective to perfect a security interest under this article as amended;

38 (b) The pre-effective-date financing statement was filed in an office in
39 another state or another office in this state; and

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

41 2. The filing of an initial financing statement under subsection (1)
42 continues the effectiveness of the pre-effective-date financing statement:



* S B 6 2 *

1 (a) If the initial financing statement is filed before January 1, 2001,
2 for the period provided in NRS 104.9403 before that date with respect to
3 a financing statement; and

4 (b) If the initial financing statement is filed on or after January 1,
5 2001, for the period provided in section 87 of this act with respect to an
6 initial financing statement.

7 3. To be effective for purposes of subsection 1, an initial financing
8 statement must:

9 (a) Satisfy the requirements of Part 5 for an initial financing
10 statement;

11 (b) Identify the pre-effective-date financing statement by indicating
12 the office in which the financing statement was filed and providing the
13 dates of filing and file numbers, if any, of the financing statement and of
14 the most recent continuation statement filed with respect to the financing
15 statement; and

16 (c) Indicate that the pre-effective-date financing statement remains
17 effective.

18 **Sec. 133.** A person may file an initial financing statement or a
19 continuation statement under sections 128 to 134, inclusive, of this act if:

20 1. The secured party of record authorizes the filing; and

21 2. The filing is necessary under those sections:

22 (a) To continue the effectiveness of a financing statement filed before
23 January 1, 2001; or

24 (b) To perfect or continue the perfection of a security interest.

25 **Sec. 134.** 1. Sections 2 to 134, inclusive, of this act determine the
26 priority of conflicting claims to collateral. However if the relative
27 priorities of the parties were fixed before January 1, 2001, the provisions
28 of Article 9 which were in effect before January 1, 2001, determine
29 priority.

30 2. For purposes of subsection 1 of section 43 of this act, the priority
31 of a security interest that becomes enforceable under section 14 of this
32 act dates from January 1, 2001, if the security interest is perfected under
33 this article as amended by the filing of a financing statement before
34 January 1, 2001, which would not have been effective to perfect the
35 security interest under the provisions of Article 9 which were in effect
36 before that date. This subsection does not apply to conflicting security
37 interests each of which is perfected by the filing of such a financing
38 statement.

39 **Sec. 135.** 1. An issuer or a nominated person has a security
40 interest in a document presented under a letter of credit and any
41 identifiable proceeds of the collateral to the extent that the issuer or
42 nominated person honors or gives value for the presentation.



* S B 6 2 *

1 2. *As long as and to the extent that an issuer or a nominated person*
2 *has not been reimbursed or has not otherwise recovered the value given*
3 *with respect to a security interest in a document under subsection 1, the*
4 *security interest continues and is subject to Article 9, but:*

5 (a) *A security agreement is not necessary to make the security interest*
6 *enforceable under paragraph (c) of subsection 2 of section 14 of this act;*

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

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

14 **Sec. 136.** NRS 104.1105 is hereby amended to read as follows:

15 104.1105 1. Except as otherwise provided in this section, when a
16 transaction bears a reasonable relation to this state and also to another state
17 or nation, the parties may agree that the law of this state or of such other
18 state or nation governs their rights and duties. Failing such agreement, this
19 chapter applies to transactions bearing an appropriate relation to this state.

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

24
25 Rights of creditors against sold goods. NRS 104.2402.

26 Applicability of the article on leases. NRS 104A.2105 and
27 104A.2106.

28 Applicability of the article on bank deposits and collections. NRS
29 104.4102.

30 Letters of credit. NRS 104.5116.

31 Applicability of the article on investment securities. NRS 104.8110.

32 ~~Perfection provisions of the article on secured transactions. NRS~~
33 ~~104.9103.~~

34 *Law governing perfection, the effect of perfection or*
35 *nonperfection, and the priority of security interests. Sections*
36 *22 to 28, inclusive, of this act.*

37 Governing law in the article on funds transfers. NRS 104A.4507.

38 **Sec. 137.** NRS 104.1110 is hereby amended to read as follows:

39 104.1110 1. Transactions validly entered into before March 1, 1967,
40 and the rights, duties and interests flowing from them remain valid
41 thereafter and may be terminated, completed, consummated or enforced as
42 required or permitted by any statute or other law amended or repealed by
43 this chapter as though such repeal or amendment had not occurred.



* S B 6 2 *

1 2. ~~Transactions validly entered into after March 1, 1967, and before~~
2 ~~July 1, 1975, which were subject to the provisions of this chapter before~~
3 ~~July 1, 1975, and which would be subject to the provisions of this chapter~~
4 ~~as amended effective July 1, 1975, if they had been entered into after July~~
5 ~~1, 1975, and the rights, duties and interests flowing from such transactions~~
6 ~~remain valid after July 1, 1975, and may be terminated, completed,~~
7 ~~consummated or enforced as required or permitted by this chapter as~~
8 ~~amended effective July 1, 1975. Security interests arising out of such~~
9 ~~transactions which are perfected on July 1, 1975, shall remain perfected~~
10 ~~until they lapse as provided by this chapter as amended effective July 1,~~
11 ~~1975, and may be continued as permitted by this chapter as amended~~
12 ~~effective July 1, 1975, except as stated in NRS 104.902.~~

13 ~~—3.1~~ A transaction arising out of or associated with a letter of credit that
14 was issued before October 1, 1997, and the rights, obligations and interests
15 flowing from that transaction are governed by the former provisions of this
16 chapter as if the amendment effective October 1, 1997, had not occurred,
17 and may be terminated, completed, consummated or enforced under those
18 former provisions.

19 ~~4.1~~ 3. Rights and obligations that arose after March 1, 1967, and
20 before October 1, 1991, under NRS 104.6101 to 104.6111, inclusive,
21 Uniform Commercial Code—Bulk Transfers, remain valid and may be
22 enforced as though those sections had not been repealed.

23 ~~5.—If a security interest in a security governed by NRS 104.8101 to~~
24 ~~104.8511, inclusive, is perfected before October 1, 1997, and the action by~~
25 ~~which the security interest was perfected would suffice to perfect a security~~
26 ~~interest under this chapter as amended effective on that date, no further~~
27 ~~action is required to continue perfection. If a security interest in a security~~
28 ~~is perfected before October 1, 1997, but the action by which the security~~
29 ~~interest was perfected would not suffice to perfect a security interest under~~
30 ~~this chapter as amended effective on that date, the security interest remains~~
31 ~~perfected for a period of 4 months after that date and remains perfected~~
32 ~~thereafter if appropriate action to perfect it under this chapter as so~~
33 ~~amended is taken within that period. If a security interest is perfected~~
34 ~~before October 1, 1997, and the security interest can be perfected by filing~~
35 ~~under this chapter as amended effective on that date, a financing statement~~
36 ~~signed by the secured party instead of the debtor may be filed within that~~
37 ~~period to continue perfection or thereafter to perfect.]~~

38 **Sec. 138.** NRS 104.1201 is hereby amended to read as follows:

39 104.1201 Subject to additional definitions contained in the subsequent
40 articles of this chapter which are applicable to specific articles or parts
41 thereof, and unless the context otherwise requires, in this chapter:



* S B 6 2 *

- 1 1. "Action" in the sense of a judicial proceeding includes recoupment,
2 counterclaim, setoff, suit in equity and any other proceedings in which
3 rights are determined.
- 4 2. "Aggrieved party" means a party entitled to resort to a remedy.
- 5 3. "Agreement" means the bargain of the parties in fact as found in
6 their language or by implication from other circumstances including course
7 of dealing or usage of trade or course of performance as provided in this
8 chapter (NRS 104.1205 and 104.2208). Whether an agreement has legal
9 consequences is determined by the provisions of this chapter, if applicable;
10 otherwise by the law of contracts (NRS 104.1103). (Compare "contract.")
- 11 4. "Bank" means any person engaged in the business of banking.
- 12 5. "Bearer" means the person in possession of an instrument, document
13 of title, or security payable to bearer or endorsed in blank.
- 14 6. "Bill of lading" means a document evidencing the receipt of goods
15 for shipment issued by a person engaged in the business of transporting or
16 forwarding goods, and includes an airbill. "Airbill" means a document
17 serving for air transportation as a bill of lading does for marine or rail
18 transportation, and includes an air consignment note or air waybill.
- 19 7. "Branch" includes a separately incorporated foreign branch of a
20 bank.
- 21 8. "Burden of establishing" a fact means the burden of persuading the
22 triers of fact that the existence of the fact is more probable than its
23 nonexistence.
- 24 9. "Buyer in ordinary course of business" means a person ~~{who}~~ *that*
25 *buys goods* in good faith , ~~{and}~~ without knowledge that the sale ~~{to him is~~
26 ~~in violation of the ownership rights or security interest of a third party}~~
27 *violates the rights of another person* in the goods ~~{buys in}~~ , *and in the*
28 ordinary course from a person , *other than a pawnbroker*, in the business
29 of selling goods of that kind . ~~{but does not include a pawnbroker. All~~
30 ~~persons who sell minerals or the like (including oil and gas) at wellhead or~~
31 ~~minehead shall be deemed to be persons}~~ *A person buys goods in the*
32 *ordinary course if the sale to him comports with the usual or customary*
33 *practices in the kind of business in which the seller is engaged or with the*
34 *seller's own usual or customary practices. A person that sells oil, gas, or*
35 *other minerals at the wellhead or minehead is* in the business of selling
36 goods of that kind. ~~{ "Buying" may be}~~ *A buyer in ordinary course of*
37 *business may buy* for cash or by exchange of other property or on secured
38 or unsecured credit and ~~{includes receiving}~~ *may acquire* goods or
39 documents of title under a preexisting contract for sale . ~~{but does not~~
40 ~~include a transfer in bulk or as security for or in total or partial satisfaction~~
41 ~~of a money debt.}~~ *Only a buyer that takes possession of the goods or has a*
42 *right to recover the goods from the seller under Article 2 may be a buyer*
43 *in ordinary course of business. A person that acquires goods in a transfer*



* S B 6 2 *

1 *in bulk or as security for or in total or partial satisfaction of a money*
2 *debt is not a buyer in ordinary course of business.*

3 10. A term or clause is “conspicuous” when it is so written that a
4 reasonable person against whom it is to operate ought to have noticed it. A
5 printed heading in capitals (as: NONNEGOTIABLE BILL OF LADING) is
6 “conspicuous.” Language in the body of a form is “conspicuous” if it is in
7 larger or other contrasting type or color. But in a telegram any stated term
8 is “conspicuous.” Whether a term or clause is “conspicuous” or not is for
9 decision by the court.

10 11. “Contract” means the total legal obligation which results from the
11 parties’ agreement as affected by this chapter and any other applicable rules
12 of law. (Compare “agreement.”)

13 12. “Creditor” includes a general creditor, a secured creditor, a lien
14 creditor and any representative of creditors, including an assignee for the
15 benefit of creditors, a trustee in bankruptcy, a receiver in equity and an
16 executor or administrator of an insolvent debtor’s or assignor’s estate.

17 13. “Defendant” includes a person in the position of defendant in a
18 cross-action or counterclaim.

19 14. “Delivery” with respect to instruments, documents of title, chattel
20 paper or securities means voluntary transfer of possession.

21 15. “Document of title” includes bill of lading, dock warrant, dock
22 receipt, warehouse receipt or order for the delivery of goods, and also any
23 other document which in the regular course of business or financing is
24 treated as adequately evidencing that the person in possession of it is
25 entitled to receive, hold and dispose of the document and the goods it
26 covers. To be a document of title a document must purport to be issued by
27 or addressed to a bailee and purport to cover goods in the bailee’s
28 possession which are either identified or are fungible portions of an
29 identified mass.

30 16. “Fault” means wrongful act, omission or breach.

31 17. “Fungible” with respect to goods or securities means goods or
32 securities of which any unit is, by nature or usage of trade, the equivalent of
33 any other like unit. Goods which are not fungible shall be deemed fungible
34 for the purposes of this chapter to the extent that under a particular
35 agreement or document unlike units are treated as equivalents.

36 18. “Genuine” means free of forgery or counterfeiting.

37 19. “Good faith” means honesty in fact in the conduct or transaction
38 concerned.

39 20. “Holder” with respect to a negotiable instrument means the person
40 in possession if the instrument is payable to bearer or, in the case of an
41 instrument payable to an identified person, if the identified person is in
42 possession. “Holder” with respect to a document of title means the person



* S B 6 2 *

1 in possession if the goods are deliverable to bearer or to the order of the
2 person in possession.

3 21. To “honor” is to pay or to accept and pay, or where a credit so
4 engages to purchase or discount a draft complying with the terms of the
5 credit.

6 22. “Insolvency proceedings” includes any assignment for the benefit
7 of creditors or other proceedings intended to liquidate or rehabilitate the
8 estate of the person involved.

9 23. A person is “insolvent” who either has ceased to pay his debts in
10 the ordinary course of business or cannot pay his debts as they become due
11 or is insolvent within the meaning of the federal bankruptcy law.

12 24. “Money” means a medium of exchange authorized or adopted by a
13 domestic or foreign government and includes a monetary unit of account
14 established by an intergovernmental organization or by agreement between
15 two or more nations.

16 25. A person has “notice” of a fact when:

- 17 (a) He has actual knowledge of it;
18 (b) He has received a notice or notification of it; or
19 (c) From all the facts and circumstances known to him at the time in
20 question he has reason to know that it exists.

21 A person “knows” or has “knowledge” of a fact when he has actual
22 knowledge of it. “Discover” or “learn” or a word or phrase of similar
23 import refers to knowledge rather than to reason to know. The time and
24 circumstances under which a notice or notification may cease to be
25 effective are not determined by this chapter.

26 26. A person “notifies” or “gives” a notice or notification to another by
27 taking such steps as may be reasonably required to inform the other in
28 ordinary course whether or not such other actually comes to know of it. A
29 person “receives” a notice or notification when:

- 30 (a) It comes to his attention; or
31 (b) It is delivered at the place of business through which the contract
32 was made or at any other place held out by him as the place for receipt of
33 such communications.

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



* S B 6 2 *

1 of the transaction and that the transaction would be materially affected by
2 the information.

3 28. “Organization” includes a corporation, government or
4 governmental subdivision or agency, business trust, estate, trust,
5 partnership or association, two or more persons having a joint or common
6 interest, or any other legal or commercial entity.

7 29. “Party,” as distinct from “third party,” means a person who has
8 engaged in a transaction or made an agreement within this chapter or
9 chapter 104A of NRS.

10 30. “Presumption” or “presumed” means that the trier of fact must find
11 the existence of the fact presumed unless and until evidence is introduced
12 which would support a finding of its nonexistence.

13 31. “Purchase” includes taking by sale, discount, negotiation,
14 mortgage, pledge, lien, *security interest*, issue or reissue, gift or any other
15 voluntary transaction creating an interest in property.

16 32. “Purchaser” means a person who takes by purchase.

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

19 34. “Representative” includes an agent, an officer of a corporation or
20 association, and a trustee, executor or administrator of an estate, or any
21 other person empowered to act for another.

22 35. “Rights” includes remedies.

23 36. “Security interest” means an interest in personal property or
24 fixtures which secures payment or performance of an obligation. ~~[The~~
25 ~~retention or reservation of title by a seller of goods notwithstanding~~
26 ~~shipment or delivery to the buyer (NRS 104.2401) is limited in effect to a~~
27 ~~reservation of a “security interest.”]~~ The term also includes any interest of a

28 *consignor and a buyer of accounts, ~~for~~ chattel paper ~~[which], a payment~~*
29 *intangible or a promissory note in a transaction that* is subject to ~~[article]~~

30 *Article 9. The special property interest of a buyer of goods on identification*
31 *of such goods to a contract for sale under NRS 104.2401 is not a “security*
32 *interest,” but a buyer may also acquire a “security interest” by complying*
33 *with ~~[article 9. Unless a consignment is intended as security, reservation of~~*
34 *title thereunder is not a “security interest” but a consignment is in any event*
35 *subject to the provisions on consignment sales (NRS 104.2326).] *Article 9.**

36 *Except as otherwise provided in NRS 104.2505, the right of a seller or*
37 *lessor of goods under Article 2 or 2A to retain or acquire possession of*
38 *the goods is not a “security interest,” but a seller or lessor may also*
39 *acquire a “security interest” by complying with Article 9. The retention*
40 *or reservation of title by a seller of goods notwithstanding shipment or*
41 *delivery to the buyer (NRS 104.2401) is limited in effect to a reservation*
42 *of a “security interest.”* Whether a transaction creates a lease or security
43 interest is determined by the facts of each case; however, a transaction



* S B 6 2 *

1 creates a security interest if the consideration the lessee is to pay the lessor
2 for the right to possession and use of the goods is an obligation for the term
3 of the lease not subject to termination by the lessee, and:

4 (a) The original term of the lease is equal to or greater than the
5 remaining economic life of the goods;

6 (b) The lessee is bound to renew the lease for the remaining economic
7 life of the goods or is bound to become the owner of the goods;

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

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

14 37. A transaction does not create a security interest merely because it
15 provides that:

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

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

23 (c) The lessee has an option to renew the lease or to become the owner
24 of the goods;

25 (d) The lessee has an option to renew the lease for a fixed rent that is
26 equal to or greater than the reasonably predictable fair market rent for the
27 use of the goods for the term of the renewal at the time the option is to be
28 performed; or

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

32 38. For the purposes of this subsection and subsections 36 and 37:

33 (a) Additional consideration is not nominal if:

34 (1) When the option to renew the lease is granted to the lessee the rent
35 is stated to be the fair market rent for the use of the goods for the term of
36 the renewal determined at the time the option is to be performed; or

37 (2) When the option to become the owner of the goods is granted to
38 the lessee the price is stated to be the fair market value of the goods
39 determined at the time the option is to be performed.

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



1 (b) “Reasonably predictable” and “remaining economic life of the
2 goods” are to be determined with reference to the facts and circumstances
3 at the time the transaction is entered into.

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

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

19 40. “Signed” includes any symbol executed or adopted by a party with
20 present intention to authenticate a writing.

21 41. “Surety” includes guarantor.

22 42. “Telegram” includes a message transmitted by radio, teletype,
23 cable, any mechanical method of transmission, or the like.

24 43. “Term” means that portion of an agreement which relates to a
25 particular matter.

26 44. “Unauthorized” signature means one made without actual, implied
27 or apparent authority and includes a forgery.

28 45. Except as otherwise provided with respect to negotiable
29 instruments and bank collections (NRS 104.3303, 104.4210 and 104.4211)
30 a person gives “value” for rights if he acquires them:

31 (a) In return for a binding commitment to extend credit or for the
32 extension of immediately available credit whether or not drawn upon and
33 whether or not a charge-back is provided for in the event of difficulties in
34 collection;

35 (b) As security for or in total or partial satisfaction of a preexisting
36 claim;

37 (c) By accepting delivery pursuant to a preexisting contract for
38 purchase; or

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

41 46. “Warehouse receipt” means a receipt issued by a person engaged in
42 the business of storing goods for hire.



1 47. "Written" or "writing" includes printing, typewriting or any other
2 intentional reduction to tangible form.

3 **Sec. 139.** NRS 104.1206 is hereby amended to read as follows:

4 104.1206 1. Except in the cases described in subsection 2 of this
5 section a contract for the sale of personal property is not enforceable by
6 way of action or defense beyond \$5,000 in amount or value of remedy
7 unless there is some writing which indicates that a contract for sale has
8 been made between the parties at a defined or stated price, reasonably
9 identifies the subject matter, and is signed by the party against whom
10 enforcement is sought or by his authorized agent.

11 2. Subsection 1 of this section does not apply to contracts for the sale
12 of goods (NRS 104.2201) nor of securities (NRS 104.8113) nor to security
13 agreements ~~(NRS 104.9203)~~ **(section 14 of this act).**

14 **Sec. 140.** NRS 104.2103 is hereby amended to read as follows:

15 104.2103 1. In this article unless the context otherwise requires:

- 16 (a) "Buyer" means a person who buys or contracts to buy goods.
17 (b) "Good faith" in the case of a merchant means honesty in fact and the
18 observance of reasonable commercial standards of fair dealing in the trade.
19 (c) "Receipt" of goods means taking physical possession of them.
20 (d) "Seller" means a person who sells or contracts to sell goods.

21 2. Other definitions applying to this article or to specified parts thereof,
22 and the sections in which they appear are:

- 23
24 "Acceptance." NRS 104.2606.
25 "Banker's credit." NRS 104.2325.
26 "Between merchants." NRS 104.2104.
27 "Cancellation." Subsection 4 of NRS 104.2106.
28 "Commercial unit." NRS 104.2105.
29 "Confirmed credit." NRS 104.2325.
30 "Conforming to contract." NRS 104.2106.
31 "Contract for sale." NRS 104.2106.
32 "Cover." NRS 104.2712.
33 "Entrusting." NRS 104.2403.
34 "Financing agency." NRS 104.2104.
35 "Future goods." NRS 104.2105.
36 "Goods." NRS 104.2105.
37 "Identification." NRS 104.2501.
38 "Installment contract." NRS 104.2612.
39 "Letter of credit." NRS 104.2325.
40 "Lot." NRS 104.2105.
41 "Merchant." NRS 104.2104.
42 "Overseas." NRS 104.2323.
43 "Person in position of seller." NRS 104.2707.



- 1 “Present sale.” NRS 104.2106.
2 “Sale.” NRS 104.2106.
3 “Sale on approval.” NRS 104.2326.
4 “Sale or return.” NRS 104.2326.
5 “Termination.” NRS 104.2106.
6
7 3. The following definitions in other articles apply to this article:
8
9 “Check.” NRS 104.3104.
10 “Consignee.” NRS 104.7102.
11 “Consignor.” NRS 104.7102.
12 “Consumer goods.” ~~NRS 104.9109.~~ *Section 3 of this act.*
13 “Draft.” NRS 104.3104.
14
15 4. In addition article 1 contains general definitions and principles of
16 construction and interpretation applicable throughout this article.
17 **Sec. 141.** NRS 104.2210 is hereby amended to read as follows:
18 104.2210 1. A party may perform his duty through a delegate unless
19 otherwise agreed or unless the other party has a substantial interest in
20 having his original promisor perform or control the acts required by the
21 contract. No delegation of performance relieves the party delegating of any
22 duty to perform or any liability for breach.
23 2. ~~Unless~~ *Except as otherwise provided in section 69 of this act,*
24 *unless* otherwise agreed , all rights of either seller or buyer can be assigned
25 except where the assignment would materially change the duty of the other
26 party, or increase materially the burden or risk imposed on him by his
27 contract, or impair materially his chance of obtaining return performance.
28 A right to damages for breach of the whole contract or a right arising out of
29 the assignor’s due performance of his entire obligation can be assigned
30 despite agreement otherwise.
31 3. Unless the circumstances indicate the contrary a prohibition of
32 assignment of “the contract” is to be construed as barring only the
33 delegation to the assignee of the assignor’s performance.
34 4. An assignment of “the contract” or of “all my rights under the
35 contract” or an assignment in similar general terms is an assignment of
36 rights and unless the language or the circumstances (as in an assignment for
37 security) indicate the contrary, it is a delegation of performance of the
38 duties of the assignor and its acceptance by the assignee constitutes a
39 promise by him to perform those duties. This promise is enforceable by
40 either the assignor or the other party to the original contract.
41 5. The other party may treat any assignment which delegates
42 performance as creating reasonable grounds for insecurity and may without



1 prejudice to his rights against the assignor demand assurances from the
2 assignee (NRS 104.2609).

3 **Sec. 142.** NRS 104.2326 is hereby amended to read as follows:

4 104.2326 1. Unless otherwise agreed, if delivered goods may be
5 returned by the buyer even though they conform to the contract, the
6 transaction is:

7 (a) A “sale on approval” if the goods are delivered primarily for use;
8 and

9 (b) A “sale or return” if the goods are delivered primarily for resale.

10 2. ~~[Except as provided in subsection 3, goods]~~ **Goods** held on approval
11 are not subject to the claims of the buyer’s creditors until acceptance;
12 goods held on sale or return are subject to such claims while in the buyer’s
13 possession.

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

23 ~~—(a) Complies with an applicable law providing for a consignor’s interest~~
24 ~~or the like to be evidenced by a sign; or~~

25 ~~—(b) Establishes that the person conducting the business is generally~~
26 ~~known by his creditors to be substantially engaged in selling the goods of~~
27 ~~others; or~~

28 ~~—(c) Complies with the filing provisions of the article on secured~~
29 ~~transactions (article 9).~~

30 ~~—4.]~~ Any “or return” term of a contract for sale is to be treated as a
31 separate contract for sale within the statute of frauds section of this article
32 (NRS 104.2201) and as contradicting the sale aspect of the contract within
33 the provisions of this article on parol or extrinsic evidence (NRS
34 104.2202).

35 **Sec. 143.** NRS 104.2502 is hereby amended to read as follows:

36 104.2502 1. Subject to subsection 2 and even though the goods have
37 not been shipped a buyer who has paid a part or all of the price of goods in
38 which he has a special property under the provisions of the immediately
39 preceding section may on making and keeping good a tender of any unpaid
40 portion of their price recover them from the seller if ~~[the]~~ :

41 (a) *In the case of goods bought for personal, family or household*
42 *purposes, the seller repudiates or fails to deliver as required by the*
43 *contract; or*



* S B 6 2 *

1 **(b) In all cases, the** seller becomes insolvent within 10 days after receipt
2 of the first installment on their price.

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

6 **Sec. 144.** NRS 104.2716 is hereby amended to read as follows:

7 104.2716 1. Specific performance may be decreed where the goods
8 are unique or in other proper circumstances.

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

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

20 **Sec. 145.** NRS 104.4210 is hereby amended to read as follows:

21 104.4210 1. A collecting bank has a security interest in an item and
22 any accompanying documents or the proceeds of either:

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

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

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

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

34 3. Receipt by a collecting bank of a final settlement for an item is a
35 realization on its security interest in the item, accompanying documents,
36 and proceeds. To the extent and so long as the bank does not receive final
37 settlement for the item or give up possession of the item or accompanying
38 documents for purposes other than collection, the security interest
39 continues and is subject to the provisions of ~~Article~~ **Article** 9 except that:

40 (a) No security agreement is necessary to make the security interest
41 enforceable ~~[(paragraph (a) of subsection 1 of NRS 104.9203);]~~
42 **subparagraph (1) of paragraph (c) of subsection 2 of section 14 of this**
43 **act;**



* S B 6 2 *

1 (b) No filing is required to perfect the security interest; and
2 (c) The security interest has priority over conflicting perfected security
3 interests in the item, accompanying documents, or proceeds.

4 **Sec. 146.** NRS 104.7503 is hereby amended to read as follows:

5 104.7503 1. A document of title confers no right in goods against a
6 person who before issuance of the document had a legal interest or a
7 perfected security interest in them and who neither:

8 (a) Delivered or entrusted them or any document of title covering them
9 to the bailor or his nominee with actual or apparent authority to ship, store
10 or sell or with power to obtain delivery under this article (NRS 104.7403)
11 or with power of disposition under this chapter (NRS 104.2403 and
12 ~~104.9307~~ **section 41 of this act**) or other statute or rule of law; nor

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

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

20 3. Title to goods based upon a bill of lading issued to a freight
21 forwarder is subject to the rights of anyone to whom a bill issued by the
22 freight forwarder is duly negotiated; but delivery by the carrier in
23 accordance with part 4 of this article pursuant to its own bill of lading
24 discharges the carrier's obligation to deliver.

25 **Sec. 147.** NRS 104.8103 is hereby amended to read as follows:

26 104.8103 1. A share or similar equity interest issued by a
27 corporation, business trust, joint stock company or similar entity is a
28 security.

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

36 3. An interest in a partnership or limited-liability company is not a
37 security unless it is dealt in or traded on securities exchanges or in
38 securities markets, its terms expressly provide that it is a security governed
39 by this article, or it is an investment company security. However, an interest
40 in a partnership or limited-liability company is a financial asset if it is held
41 in a securities account.

42 4. A writing that is a security certificate is governed by this article and
43 not by article 3, even though it also meets the requirements of that article.



* S B 6 2 *

1 However, a negotiable instrument governed by article 3 is a financial asset
2 if it is held in a securities account.

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

5 6. A commodity contract, as defined in ~~[NRS 104.9115,]~~ *paragraph*
6 *(o) of subsection 1 of section 3 of this act* is not a security or a financial
7 asset.

8 **Sec. 148.** NRS 104.8106 is hereby amended to read as follows:

9 104.8106 1. A purchaser has "control" of a certificated security in
10 bearer form if it is delivered to him.

11 2. A purchaser has "control" of a certificated security in registered
12 form if it is delivered to him and:

13 (a) The certificate is endorsed to him or in blank by an effective
14 endorsement; or

15 (b) The certificate is registered in his name, upon original issue or
16 registration of transfer by the issuer.

17 3. A purchaser has "control" of an uncertificated security if:

18 (a) It is delivered to him; or

19 (b) The issuer has agreed that it will comply with instructions originated
20 by him without further consent by the registered owner.

21 4. A purchaser has "control" of a security entitlement if:

22 (a) He becomes the entitlement holder; ~~or~~

23 (b) The securities intermediary has agreed that it will comply with
24 entitlement orders originated by him without further consent by the
25 entitlement holder ~~or~~; *or*

26 *(c) Another person has control of the security entitlement on his*
27 *behalf or, having previously acquired control of the security entitlement,*
28 *acknowledges that it has control on his behalf.*

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

32 6. A purchaser who has satisfied the requirements of ~~paragraph (b) of~~
33 ~~subsection 3 or paragraph (b) of subsection~~ 4 has control even if the
34 registered owner in the case of ~~paragraph (b) of~~ subsection 3 or the
35 entitlement holder in the case of ~~paragraph (b) of~~ subsection 4 retains the
36 right to make substitutions for the uncertificated security or security
37 entitlement, originate instructions or entitlement orders to the issuer or
38 securities intermediary or otherwise deal with the uncertificated security or
39 security entitlement.

40 7. An issuer or a securities intermediary may not enter into an
41 agreement of the kind described in paragraph (b) of subsection 3 or
42 paragraph (b) of subsection 4 without the consent of the registered owner or
43 entitlement holder, but an issuer or a securities intermediary is not required



* S B 6 2 *

1 to enter into such an agreement even if the registered owner or entitlement
2 holder so directs. An issuer or securities intermediary that has entered into
3 such an agreement is not required to confirm the existence of the agreement
4 to another party unless requested to do so by the registered owner or
5 entitlement holder.

6 **Sec. 149.** NRS 104.8110 is hereby amended to read as follows:

7 104.8110 1. The local law of the issuer’s jurisdiction, as specified in
8 subsection 4, governs:

9 (a) The validity of a security;

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

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

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

15 (e) Whether an adverse claim can be asserted against a person to whom
16 transfer of a certificated or uncertificated security is registered or a person
17 who obtains control of an uncertificated security.

18 2. The local law of the securities intermediary’s jurisdiction, as
19 specified in subsection 5, governs:

20 (a) Acquisition of a security entitlement from the securities
21 intermediary;

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

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

26 (d) Whether an adverse claim can be asserted against a person who
27 acquires a security entitlement from the securities intermediary or a person
28 who purchases a security entitlement or interest therein from an entitlement
29 holder.

30 3. The local law of the jurisdiction in which a security certificate is
31 located at the time of delivery governs whether an adverse claim can be
32 asserted against a person to whom the security certificate is delivered.

33 4. “Issuer’s jurisdiction” means the jurisdiction under which the issuer
34 of the security is organized or, if permitted by the law of that jurisdiction,
35 the law of another jurisdiction specified by the issuer. An issuer organized
36 under the law of this state may specify the law of another jurisdiction as the
37 law governing the matters specified in paragraphs (b) to (e), inclusive, of
38 subsection 1.

39 5. The following rules determine a “securities intermediary’s
40 jurisdiction” for purposes of this section:

41 (a) If an agreement between the securities intermediary and its
42 entitlement holder ~~{specifies that it is governed by the law of a particular~~
43 ~~jurisdiction,}~~ *expressly provides the securities intermediary’s jurisdiction*



* S B 6 2 *

1 *for purposes of this part, this article or the Uniform Commercial Code,*
2 *that jurisdiction is the securities intermediary's jurisdiction.*

3 (b) *If paragraph (a) does not apply and an agreement between the*
4 *securities intermediary and its entitlement holder governing the securities*
5 *account expressly provides that the agreement is governed by the law of a*
6 *particular jurisdiction, that jurisdiction is the securities intermediary's*
7 *jurisdiction.*

8 (c) *If neither paragraph (a) nor paragraph (b) applies and an*
9 *agreement between the securities intermediary and its entitlement holder*
10 ~~*{does not specify the governing law as provided in paragraph (a), but*~~
11 ~~*expressly specifies}*~~ *governing the securities account expressly provides*
12 *that the securities account is maintained at an office in a particular*
13 *jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.*

14 ~~*{(c) If an agreement between the securities intermediary and its*~~
15 ~~*entitlement holder does not specify a jurisdiction as provided in paragraph*~~
16 ~~*(a) or (b).}*~~

17 (d) *If neither paragraph (a) nor paragraph (b) nor paragraph (c)*
18 *applies, the securities intermediary's jurisdiction is the jurisdiction in*
19 *which ~~{is located}~~ the office identified in an account statement as the office*
20 *serving the entitlement holder's account ~~{ }~~ is located.*

21 ~~*{(d) If an agreement between the securities intermediary and its*~~
22 ~~*entitlement holder does not specify a jurisdiction as provided in paragraph*~~
23 ~~*(a) or (b) and an account statement does not identify an office serving the*~~
24 ~~*entitlement holder's account as provided in paragraph (c).}*~~

25 (e) *If none of the preceding paragraphs applies, the securities*
26 *intermediary's jurisdiction is the jurisdiction in which its chief executive*
27 *office is located.*

28 6. A securities intermediary's jurisdiction is not determined by the
29 physical location of certificates representing financial assets, or by the
30 jurisdiction in which is organized the issuer of the financial asset with
31 respect to which an entitlement holder has a security entitlement or by the
32 location of facilities for data processing or other record keeping concerning
33 the account.

34 **Sec. 150.** NRS 104.8301 is hereby amended to read as follows:

35 104.8301 1. Delivery of a certificated security to a purchaser occurs
36 when:

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

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

42 (c) A securities intermediary acting on behalf of the purchaser acquires
43 possession of the security certificate, only if the certificate is in registered



* S B 6 2 *

1 form and ~~has been~~ *is registered in the name of the purchaser, payable to*
2 *the order of the purchaser, or* specially endorsed to the purchaser by an
3 effective endorsement ~~[-]~~ *and has not been endorsed to the securities*
4 *intermediary or in blank.*

5 2. Delivery of an uncertificated security to a purchaser occurs when:

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

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

12 **Sec. 151.** NRS 104.8302 is hereby amended to read as follows:

13 104.8302 1. Except as otherwise provided in subsections 2 and 3,
14 ~~{upon delivery}~~ *a purchaser* of a certificated or uncertificated security ~~{to a~~
15 ~~purchaser, the purchaser}~~ acquires all rights in the security that the
16 transferor had or had power to transfer.

17 2. A purchaser of a limited interest acquires rights only to the extent of
18 the interest purchased.

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

22 **Sec. 152.** NRS 104.8510 is hereby amended to read as follows:

23 104.8510 1. ~~{An}~~ *In a case not covered by the rules of priority in*
24 *Article 9 or the rules stated in subsection 3, an* action based on an adverse
25 claim to a financial asset or security entitlement, whether framed in
26 conversion, replevin, constructive trust, equitable lien or other theory, may
27 not be asserted against a person who purchases a security entitlement, or an
28 interest therein, from an entitlement holder if the purchaser gives value,
29 does not have notice of the adverse claim and obtains control.

30 2. If an adverse claim could not have been asserted against an
31 entitlement holder under NRS 104.8502, the adverse claim cannot be
32 asserted against a person who purchases a security entitlement, or an
33 interest therein, from the entitlement holder.

34 3. In a case not covered by the ~~{priority rules in article 9,}~~ *rules of*
35 *priority in Article 9*, a purchaser for value of a security entitlement, or an
36 interest therein, who obtains control has priority over a purchaser of a
37 security entitlement, or an interest therein, who does not obtain control.
38 ~~{Purchasers}~~ *Except as otherwise provided in subsection 4, purchasers*
39 *who have control rank* ~~{equally, except that a}~~ *according to priority in time*
40 *of:*

41 (a) *The purchaser's becoming the person for whom the securities*
42 *account, in which the security entitlement is carried, is maintained, if the*



* S B 6 2 *

1 *purchaser obtained control under paragraph (a) of subsection 4 of NRS*
2 *104.8106;*

3 *(b) The securities intermediary's agreement to comply with the*
4 *purchaser's entitlement orders with respect to security entitlements*
5 *carried or to be carried in the securities account in which the security*
6 *entitlement is carried, if the purchaser obtained control under paragraph*
7 *(b) of that subsection; or*

8 *(c) If the purchaser obtained control through another person under*
9 *paragraph (c) of that subsection, the time on which priority would be*
10 *based under this subsection if the other person were the secured party.*

11 **4.** A securities intermediary as purchaser has priority over a conflicting
12 purchaser who has control unless otherwise agreed by the securities
13 intermediary.

14 **Sec. 153.** NRS 104A.2103 is hereby amended to read as follows:

15 104A.2103 1. In this article unless the context otherwise requires:

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

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

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

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

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

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

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

43 (1) The lessor does not select, manufacture or supply the goods;



* S B 6 2 *

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

3 (3) One of the following occurs:

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

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

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

17 (IV) If the lease is not a consumer lease, the lessor, before the
18 lessee signs the lease contract, informs the lessee in writing of the identity
19 of the person supplying the goods to the lessor, unless the lessee has
20 selected that person and directed the lessor to acquire the goods or the right
21 to possession and use of the goods from that person, that the lessee is
22 entitled under this article to the promises and warranties, including those of
23 any third party, provided to the lessor by the person supplying the goods in
24 connection with or as part of the contract by which the lessor acquired the
25 goods or the right to possession and use of the goods, and that the lessee
26 may communicate with the person supplying the goods to the lessor and
27 receive an accurate and complete statement of those promises and
28 warranties, including any disclaimers and limitations of them or of
29 remedies.

30 (h) "Goods" means all things that are movable at the time of
31 identification to the lease contract, or are fixtures (NRS 104A.2309), but
32 the term does not include money, documents, instruments, accounts, chattel
33 paper, general intangibles, or minerals or the like, including oil and gas,
34 before extraction. The term also includes the unborn young of animals.

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

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



* S B 6 2 *

- 1 (k) “Lease agreement” means the bargain, with respect to the lease, of
2 the lessor and the lessee in fact as found in their language or by implication
3 from other circumstances including course of dealing or usage of trade or
4 course of performance as provided in this article. Unless the context clearly
5 indicates otherwise, the term includes a sublease agreement.
- 6 (l) “Lease contract” means the total legal obligation that results from the
7 lease agreement as affected by this article and any other applicable rules of
8 law. Unless the context clearly indicates otherwise, the term includes a
9 sublease contract.
- 10 (m) “Leasehold interest” means the interest of the lessor or the lessee
11 under a lease contract.
- 12 (n) “Lessee” means a person who acquires the right to possession and
13 use of goods under a lease. Unless the context clearly indicates otherwise,
14 the term includes a sublessee.
- 15 (o) “Lessee in ordinary course of business” means a person who in good
16 faith and without knowledge that the lease to him is in violation of the
17 ownership rights or security interest or leasehold interest of a third party in
18 the goods leases in ordinary course from a person in the business of selling
19 or leasing goods of that kind but does not include a pawnbroker. “Leasing”
20 may be for cash or by exchange of other property or on secured or
21 unsecured credit and includes receiving goods or documents of title under a
22 preexisting lease contract but does not include a transfer in bulk or as
23 security for or in total or partial satisfaction of a money debt.
- 24 (p) “Lessor” means a person who transfers the right to possession and
25 use of goods under a lease. Unless the context clearly indicates otherwise,
26 the term includes a sublessor.
- 27 (q) “Lessor’s residual interest” means the lessor’s interest in the goods
28 after expiration, termination or cancellation of the lease contract.
- 29 (r) “Lien” means a charge against or interest in goods to secure payment
30 of a debt or performance of an obligation, but the term does not include a
31 security interest.
- 32 (s) “Lot” means a parcel or a single article that is the subject matter of a
33 separate lease or delivery, whether or not it is sufficient to perform the
34 lease contract.
- 35 (t) “Merchant lessee” means a lessee that is a merchant with respect to
36 goods of the kind subject to the lease.
- 37 (u) “Present value” means the amount as of a date certain of one or more
38 sums payable in the future, discounted to the date certain. The discount is
39 determined by the interest rate specified by the parties if the rate was not
40 manifestly unreasonable at the time the transaction was entered into;
41 otherwise, the discount is determined by a commercially reasonable rate
42 that takes into account the facts and circumstances of each case at the time
43 the transaction was entered into.



- 1 (v) "Purchase" includes taking by sale, lease, mortgage, security interest,
2 pledge, gift or any other voluntary transaction creating an interest in goods.
3 (w) "Sublease" means a lease of goods the right to possession and use of
4 which was acquired by the lessor as a lessee under an existing lease.
5 (x) "Supplier" means a person from whom a lessor buys or leases goods
6 to be leased under a finance lease.
7 (y) "Supply contract" means a contract under which a lessor buys or
8 leases goods to be leased.
9 (z) "Termination" occurs when either party pursuant to a power created
10 by agreement or law puts an end to the lease contract otherwise than for
11 default.

12 2. Other definitions applying to this article and the sections in which
13 they appear are:

- 14
15 "Accessions." NRS 104A.2310.
16 "Construction mortgage." NRS 104A.2309.
17 "Encumbrance." NRS 104A.2309.
18 "Fixtures." NRS 104A.2309.
19 "Fixture filing." NRS 104A.2309.
20 "Purchase money lease." NRS 104A.2309.
21

22 3. The following definitions in other articles apply to this article:

- 23
24 "Account." ~~NRS 104.9106.]~~ *Section 3 of this act.*
25 "Between merchants." NRS 104.2104.
26 "Buyer." NRS 104.2103.
27 "Chattel paper." ~~NRS 104.9105.]~~ *Section 3 of this act.*
28 "Consumer goods." ~~NRS 104.9109.]~~ *Section 3 of this act.*
29 "Document." ~~NRS 104.9105.]~~ *Section 3 of this act.*
30 "Entrusting." NRS 104.2403.
31 ~~["General intangibles." NRS 104.9106.]~~ *"General intangible."*
32 *Section 3 of this act.*
33 "Good faith." NRS 104.2103.
34 "Instrument." ~~NRS 104.9105.]~~ *Section 3 of this act.*
35 "Merchant." NRS 104.2104.
36 "Mortgage." ~~NRS 104.9105.]~~ *Section 3 of this act.*
37 "Pursuant to commitment." ~~NRS 104.9105.]~~ *Section 3 of this act.*
38 "Receipt." NRS 104.2103.
39 "Sale." NRS 104.2106.
40 "Sale on approval." NRS 104.2326.
41 "Sale or return." NRS 104.2326.
42 "Seller." NRS 104.2103.



1 4. In addition, article 1 contains general definitions and principles of
2 construction and interpretation applicable throughout this article.

3 **Sec. 154.** NRS 104A.2303 is hereby amended to read as follows:

4 104A.2303 1. As used in this section, “creation of a security interest”
5 includes the sale of a lease contract that is subject to article 9, Secured
6 Transactions, by reason of paragraph ~~{(b)}~~ (c) of subsection 1 of ~~NRS~~
7 ~~104.9102.~~ **section 10 of this act.**

8 2. Except as otherwise provided in ~~{subsections 3 and 4.}~~ **subsection 3**
9 **and section 70 of this act,** a provision in a lease agreement which:

10 (a) Prohibits the voluntary or involuntary transfer, including a transfer
11 by sale, sublease, creation or enforcement of a security interest, or
12 attachment, levy, or other judicial process, of an interest of a party under
13 the lease contract or of the lessor’s residual interest in the goods; or

14 (b) Makes such a transfer an event of default,
15 gives rise to the rights and remedies provided in subsection ~~{5.}~~ 4, but a
16 transfer that is prohibited or is an event of default under the lease
17 agreement is otherwise effective.

18 3. ~~{A provision in a lease agreement which prohibits the creation or~~
19 ~~enforcement of a security interest in an interest of a party under the lease~~
20 ~~contract or in the lessor’s residual interest in the goods, or makes such a~~
21 ~~transfer an event of default, is not enforceable unless, and then only to the~~
22 ~~extent that, there is an actual transfer by the lessee of the lessee’s right of~~
23 ~~possession or use of the goods in violation of the provision or an actual~~
24 ~~delegation of a material performance of either party to the lease contract in~~
25 ~~violation of the provision. Neither the granting nor the enforcement of a~~
26 ~~security interest in the lessor’s interest under the lease contract or the~~
27 ~~lessor’s residual interest in the goods is a transfer that materially impairs~~
28 ~~the prospect of obtaining return performance by, materially changes the~~
29 ~~duty of, or materially increases the burden or risk imposed on, the lessee~~
30 ~~within the purview of subsection 5 unless, and then only to the extent that,~~
31 ~~there is an actual delegation of a material performance of the lessor.~~

32 ~~—4.}~~ A provision in a lease agreement which prohibits a transfer of a
33 right to damages for default with respect to the whole lease contract or of a
34 right to payment arising out of the transferor’s due performance of his
35 entire obligation, or makes such a transfer an event of default, is not
36 enforceable, and such a transfer is not a transfer that materially impairs the
37 prospect of obtaining return performance by, materially changes the duty
38 of, or materially increases the burden or risk imposed on, the other party to
39 the lease contract within the purview of subsection ~~{5.}~~ 4.

40 ~~{5.}~~ 4. Except as otherwise provided in ~~{subsections 3 and 4.}~~
41 **subsection 3 and section 70 of this act:**

42 (a) If a transfer is made which is made an event of default under a lease
43 agreement, the party to the lease contract not making the transfer, unless



* S B 6 2 *

1 that party waives the default or otherwise agrees, has the rights and
2 remedies described in subsection 2 of NRS 104A.2501.

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

14 ~~{6-}~~ 5. A transfer of "the lease" or of "all my rights under the lease," or
15 a transfer in similar general terms, is a transfer of rights, and, unless the
16 language or the circumstances, as in a transfer for security, indicate the
17 contrary, the transfer is a delegation of duties by the transferor to the
18 transferee. Acceptance by the transferee constitutes a promise by him to
19 perform those duties. The promise is enforceable by either the transferor or
20 the other party to the lease contract.

21 ~~{7-}~~ 6. Unless otherwise agreed by the lessor and the lessee, a
22 delegation of performance does not relieve the transferor as against the
23 other party of any duty to perform or of any liability for default.

24 ~~{8-}~~ 7. In a consumer lease, to prohibit the transfer of an interest of a
25 party under the lease contract or to make a transfer an event of default, the
26 language must be specific, by a writing, and conspicuous.

27 **Sec. 155.** NRS 104A.2307 is hereby amended to read as follows:

28 104A.2307 1. Except as otherwise provided in NRS 104A.2306, a
29 creditor of a lessee takes subject to the lease contract.

30 2. Except as otherwise provided in ~~{subsections 3 and 4 of this section}~~
31 **subsection 3** and in NRS 104A.2306 and 104A.2308, a creditor of a lessor
32 takes subject to the lease contract unless ~~{~~

33 ~~—(a) The~~ **the** creditor holds a lien that attached to the goods before the
34 lease contract became enforceable ~~. {~~

35 ~~—(b) The creditor holds a security interest in the goods and the lessee did
36 not give value and receive delivery of the goods without knowledge of the
37 security interest; or~~

38 ~~—(c) The creditor holds a security interest in the goods which was
39 perfected (NRS 104.9303) before the lease contract became enforceable.~~

40 ~~—3. A lessee in the ordinary course of business takes the leasehold
41 interest free of a security interest in the goods created by the lessor even
42 though the security interest is perfected (NRS 104.9303) and the lessee
43 knows of its existence.~~



* S B 6 2 *

1 ~~— 4. A lessee other than a lessee in the ordinary course of business takes~~
2 ~~the leasehold interest free of a security interest to the extent that it secures~~
3 ~~future advances made after the secured party acquires knowledge of the~~
4 ~~lease or more than 45 days after the lease contract becomes enforceable;~~
5 ~~whichever first occurs, unless the future advances are made pursuant to a~~
6 ~~commitment entered into without knowledge of the lease and before the~~
7 ~~expiration of the 45-day period.]~~

8 **3. Except as otherwise provided in sections 38, 42 and 44 of this act,**
9 **a lessee takes a leasehold subject to a security interest held by a creditor**
10 **of the lessor.**

11 **Sec. 156.** NRS 104A.2309 is hereby amended to read as follows:

12 104A.2309 1. In this section:

13 (a) Goods are “fixtures” when they become so related to particular real
14 estate that an interest in them arises under real estate law;

15 (b) A “fixture filing” is the filing, in the office where a mortgage on the
16 real estate would be filed or recorded, of a financing statement covering
17 goods that are or are to become fixtures and conforming to the
18 requirements of ~~[subsection 5 of NRS 104.9402;]~~

19 **subsections 1 and 2 of section 74 of this act;**

20 (c) A lease is a “purchase money lease” unless the lessee has possession
21 or use of the goods or the right to possession or use of the goods before the
22 lease agreement is enforceable;

23 (d) A mortgage is a “construction mortgage” to the extent it secures an
24 obligation incurred for the construction of an improvement on land
25 including the acquisition cost of the land, if the recorded writing so
26 indicates; and

27 (e) “Encumbrance” includes real estate mortgages and other liens on
28 real estate and all other rights in real estate that are not ownership interests.

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

32 3. This article does not prevent creation of a lease of fixtures pursuant
33 to real estate law.

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

36 (a) The lease is a purchase money lease, the conflicting interest of the
37 encumbrancer or owner arises before the goods become fixtures, the
38 interest of the lessor is perfected by a fixture filing before the goods
39 become fixtures or within ten days thereafter, and the lessee has an interest
40 of record in the real estate or is in possession of the real estate; or

41 (b) The interest of the lessor is perfected by a fixture filing before the
42 interest of the encumbrancer or owner is of record, the lessor’s interest has
43 priority over any conflicting interest of a predecessor in title of the



* S B 6 2 *

1 encumbrancer or owner, and the lessee has an interest of record in the real
2 estate or is in possession of the real estate.

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

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

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

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

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

18 6. Notwithstanding paragraph (a) of subsection 4 but otherwise subject
19 to subsections 4 and 5, the interest of a lessor of fixtures, including his
20 residual interest, is subordinate to the conflicting interest of an
21 encumbrancer of the real estate under a construction mortgage recorded
22 before the goods become fixtures if the goods become fixtures before the
23 completion of the construction. To the extent given to refinance a
24 construction mortgage, the conflicting interest of an encumbrancer of the
25 real estate under a mortgage has this priority to the same extent as the
26 encumbrancer of the real estate under the construction mortgage.

27 7. In cases not within the preceding subsections, priority between the
28 interest of a lessor of fixtures, including his residual interest, and the
29 conflicting interest of an encumbrancer or owner of the real estate who is
30 not the lessee is determined by the priority rules governing conflicting
31 interests in real estate.

32 8. If the interest of a lessor of fixtures, including his residual interest,
33 has priority over all conflicting interests of all owners and encumbrancers
34 of the real estate, the lessor or the lessee may:

35 (a) On default, expiration, termination or cancellation of the lease
36 agreement but subject to the lease agreement and this article; or

37 (b) If necessary to enforce his other rights and remedies under this
38 article,

39 remove the goods from the real estate, free and clear of all conflicting
40 interests of all owners and encumbrancers of the real estate, but he must
41 reimburse any encumbrancer or owner of the real estate who is not the
42 lessee and who has not otherwise agreed for the cost of repair of any
43 physical injury, but not for any diminution in value of the real estate caused



1 by the absence of the goods removed or by any necessity of replacing them.
2 A person entitled to reimbursement may refuse permission to remove until
3 the party seeking removal gives adequate security for the performance of
4 this obligation.

5 9. Even though the lease agreement does not create a security interest,
6 the interest of a lessor of fixtures, including his residual interest, is
7 perfected by filing a financing statement as a fixture filing for leased goods
8 that are or are to become fixtures in accordance with the relevant provisions
9 of ~~{the article}~~ **Article 9** on secured transactions . ~~{(article 9).}~~

10 **Sec. 157.** NRS 105.030 is hereby amended to read as follows:

11 105.030 1. Presentation of a security instrument to the secretary of
12 state or a county recorder for filing and tender of the statutory filing fee or
13 acceptance of the security instrument by the secretary of state or county
14 recorder, if the security instrument states conspicuously on its title page:
15 “This Instrument Grants A Security Interest By A Public Utility”
16 constitutes:

17 (a) Perfection of a security interest created by the security instrument in
18 any personal property, including goods which are, or are to become,
19 fixtures, in which a security interest may be perfected by filing pursuant to
20 ~~{NRS 104.9101 to 104.9507,}~~ **sections 2 to 134**, inclusive, **of this act**
21 located in this state or in the county and owned by the public utility when
22 the security instrument was executed or to be acquired by the public utility
23 after execution of the security instrument; and

24 (b) Notice to all persons of the existence of the security instrument and
25 the interest granted therein, as security, in any real property or fixtures
26 thereon, or to be placed thereon, located in this state or in the county and
27 owned by the public utility when the security instrument was executed or to
28 be acquired by the public utility after the execution of the security
29 instrument if the security instrument is proved or acknowledged and
30 certified as required by law for the recording of conveyances of real
31 property.

32 2. The filed security instrument must:

33 (a) Identify the property by type, character or description if it is
34 presently owned personal property, including fixtures;

35 (b) Provide a description of the property if it is presently owned real
36 property; and

37 (c) State conspicuously on its title page: “This Instrument Contains
38 After-Acquired Property Provisions” if the property is to be acquired after
39 the execution of the security instrument.

40 3. A description of real or personal property in a security instrument is
41 sufficient, whether or not it is specific, if it reasonably identifies what is
42 described.



1 4. The provisions of ~~[NRS 104.9101 to 104.9507,]~~ **sections 2 to 134,**
2 inclusive, **of this act** pertaining to priorities and remedies apply to security
3 interests in personal property, including fixtures, perfected under this
4 section.

5 **Sec. 158.** NRS 107.026 is hereby amended to read as follows:
6 107.026 ~~[Notwithstanding any other provision of law,]~~ **Except as**
7 **otherwise provided in section 56 of this act,** a deed of trust given to secure
8 a loan made to purchase the real property on which the deed of trust is
9 given has priority over all other liens created against the purchaser before
10 he acquires title to the real property.

11 **Sec. 159.** NRS 108.4773 is hereby amended to read as follows:
12 108.4773 1. Any person who has a security interest in the personal
13 property perfected pursuant to ~~[NRS 104.901 to 104.9507,]~~ **sections 2 to**
14 **134,** inclusive, **of this act** may claim the personal property which is subject
15 to the security interest and to the lien for storage charges by paying the
16 amount due, as specified in the preliminary notice of the lien, for the
17 storage of the property, if no declaration in opposition to the sale to satisfy
18 the lien has been executed and returned by the occupant to the owner.

19 2. Upon payment of the total amount due pursuant to this section, the
20 owner shall deliver the personal property subject to the security interest to
21 the person paying the amount of the owner's lien. The owner is not liable to
22 any person for any action taken pursuant to this section if the owner
23 complied with the provisions of NRS 108.473 to 108.4783, inclusive.

24 **Sec. 160.** NRS 108.831 is hereby amended to read as follows:
25 108.831 1. If a notice of federal lien, a refiling of a notice of federal
26 lien, or a notice of revocation of any certificate described in subsection 2 is
27 presented to the filing officer who is:

28 (a) The secretary of state, he shall cause the notice to be marked, held
29 and indexed in accordance with the provisions of ~~[subsection 4 of NRS~~
30 ~~104.9403]~~ **section 91 of this act** as if the notice were a financing statement
31 within the meaning of the Uniform Commercial Code.

32 (b) Any other officer described in NRS 108.827, he shall endorse
33 thereon his identification and the date and time of receipt and forthwith file
34 it alphabetically or enter it in an alphabetical index showing the name of the
35 person named in the notice and the date of receipt.

36 2. If a certificate of release, nonattachment, discharge or subordination
37 of any federal lien is presented to the secretary of state for filing he shall:

38 (a) Cause a certificate of release or nonattachment to be marked, held
39 and indexed as if the certificate were a termination statement within the
40 meaning of the Uniform Commercial Code, except that the notice of lien to
41 which the certificate relates must not be removed from the files; and



* S B 6 2 *

1 (b) Cause a certificate of discharge or subordination to be held, marked
2 and indexed as if the certificate were a release of collateral within the
3 meaning of the Uniform Commercial Code.

4 3. If a refiled notice of federal lien referred to in subsection 1 or any of
5 the certificates or notices referred to in subsection 2 is presented for filing
6 with any other filing officer specified in NRS 108.827, he shall enter the
7 refiled notice or the certificate with the date of filing in any alphabetical
8 index of liens.

9 4. Upon request of any person, the filing officer shall issue his
10 certificate showing whether there is on file, on the date and hour stated
11 therein, any active notice of lien or certificate or notice affecting any lien
12 filed under NRS 108.825 to 108.837, inclusive, naming a particular person,
13 and if a notice or certificate is on file, giving the date and hour of filing of
14 each notice or certificate. The certificate must state that it reveals active
15 liens only. The fee for a certificate is \$15 if the statement is in the standard
16 form prescribed by the secretary of state and otherwise is \$20. Upon
17 request the filing officer shall furnish a copy of any notice of federal lien or
18 notice or certificate affecting a federal lien for the statutory fee for copies.

19 **Sec. 161.** NRS 112.220 is hereby amended to read as follows:

20 112.220 1. A transfer or obligation is not voidable under paragraph
21 (a) of subsection 1 of NRS 112.180 against a person who took in good faith
22 and for a reasonably equivalent value or against any subsequent transferee
23 or obligee.

24 2. Except as otherwise provided in this section, to the extent a transfer
25 is voidable in an action by a creditor under paragraph (a) of subsection 1 of
26 NRS 112.210, the creditor may recover judgment for the value of the asset
27 transferred, as adjusted under subsection 3 of this section, or the amount
28 necessary to satisfy the creditor's claim, whichever is less. The judgment
29 may be entered against:

30 (a) The first transferee of the asset or the person for whose benefit the
31 transfer was made; or

32 (b) Any subsequent transferee other than a ~~good faith~~ transferee who
33 took *in good faith* for value or from any subsequent transferee.

34 3. If the judgment under subsection 2 is based upon the value of the
35 asset transferred, the judgment must be for an amount equal to the value of
36 the asset at the time of the transfer, subject to adjustment as the equities
37 may require.

38 4. Notwithstanding voidability of a transfer or an obligation under this
39 chapter, a ~~good faith~~ transferee or obligee *who took in good faith* is
40 entitled, to the extent of the value given the debtor for the transfer or
41 obligation, to:

42 (a) A lien on or a right to retain any interest in the asset transferred;

43 (b) Enforcement of any obligation incurred; or



* S B 6 2 *

1 (c) A reduction in the amount of the liability on the judgment.
2 5. A transfer is not voidable under paragraph (b) of subsection 1 of
3 NRS 112.180 or NRS 112.190 if the transfer results from:
4 (a) Termination of a lease upon default by the debtor when the
5 termination is pursuant to the lease and applicable law; or
6 (b) Enforcement of a security interest in compliance with ~~NRS 104.901~~
7 ~~to 104.9507, inclusive.~~ **sections 2 to 134, inclusive, of this act.**
8 6. A transfer is not voidable under subsection 2 of NRS 112.190:
9 (a) To the extent the insider gave new value to or for the benefit of the
10 debtor after the transfer was made unless the new value was secured by a
11 valid lien;
12 (b) If made in the ordinary course of business or financial affairs of the
13 debtor and the insider; or
14 (c) If made pursuant to a good faith effort to rehabilitate the debtor and
15 the transfer secured present value given for that purpose as well as an
16 antecedent debt of the debtor.
17 **Sec. 162.** NRS 116.3116 is hereby amended to read as follows:
18 116.3116 1. The association has a lien on a unit for any assessment
19 levied against that unit or fines imposed against the unit's owner from the
20 time the assessment or fine becomes due. Unless the declaration otherwise
21 provides, fees, charges, late charges, fines and interest charged pursuant to
22 paragraphs (j), (k) and (l) of subsection 1 of NRS 116.3102 are enforceable
23 as assessments under this section. If an assessment is payable in
24 installments, the full amount of the assessment is a lien from the time the
25 first installment thereof becomes due.
26 2. A lien under this section is prior to all other liens and encumbrances
27 on a unit except:
28 (a) Liens and encumbrances recorded before the recordation of the
29 declaration and, in a cooperative, liens and encumbrances which the
30 association creates, assumes or takes subject to;
31 (b) A first security interest on the unit recorded before the date on which
32 the assessment sought to be enforced became delinquent, or, in a
33 cooperative, the first security interest encumbering only the unit's owner's
34 interest and perfected before the date on which the assessment sought to be
35 enforced became delinquent; and
36 (c) Liens for real estate taxes and other governmental assessments or
37 charges against the unit or cooperative.
38 The lien is also prior to all security interests described in paragraph (b) to
39 the extent of the assessments for common expenses based on the periodic
40 budget adopted by the association pursuant to NRS 116.3115 which would
41 have become due in the absence of acceleration during the 6 months
42 immediately preceding institution of an action to enforce the lien. This



1 subsection does not affect the priority of mechanics' or materialmen's liens,
2 or the priority of liens for other assessments made by the association.

3 3. Unless the declaration otherwise provides, if two or more
4 associations have liens for assessments created at any time on the same
5 property, those liens have equal priority.

6 4. Recording of the declaration constitutes record notice and perfection
7 of the lien. No further recordation of any claim of lien for assessment under
8 this section is required.

9 5. A lien for unpaid assessments is extinguished unless proceedings to
10 enforce the lien are instituted within 3 years after the full amount of the
11 assessments becomes due.

12 6. This section does not prohibit actions to recover sums for which
13 subsection 1 creates a lien or prohibit an association from taking a deed in
14 lieu of foreclosure.

15 7. A judgment or decree in any action brought under this section must
16 include costs and reasonable attorney's fees for the prevailing party.

17 8. The association upon written request shall furnish to a unit's owner a
18 statement setting forth the amount of unpaid assessments against the unit. If
19 the interest of the unit's owner is real estate, the statement must be in
20 recordable form. The statement must be furnished within 10 business days
21 after receipt of the request and is binding on the association, the executive
22 board and every unit's owner.

23 9. In a cooperative, upon nonpayment of an assessment on a unit, the
24 unit's owner may be evicted in the same manner as provided by law in the
25 case of an unlawful holdover by a commercial tenant, and the lien may be
26 foreclosed as provided by this section or by NRS 116.31162 to 116.31168,
27 inclusive.

28 10. In a cooperative where the owner's interest in a unit is personal
29 property (NRS 116.1105), the association's lien may be foreclosed in like
30 manner as a security interest under ~~NRS 104.9101 to 104.9507, inclusive.~~
31 *sections 2 to 134, inclusive, of this act.*

32 **Sec. 163.** NRS 123.230 is hereby amended to read as follows:

33 123.230 A spouse may, by written power of attorney, give to the other
34 the complete power to sell, convey or encumber any property held as
35 community property or either spouse, acting alone, may manage and
36 control community property, whether the community property was acquired
37 before, on or after July 1, 1975, with the same power of disposition as the
38 acting spouse has over his separate property, except that:

39 1. Neither spouse may devise or bequeath more than one-half of the
40 community property.

41 2. Neither spouse may make a gift of community property without the
42 express or implied consent of the other.



1 3. Neither spouse may sell, convey or encumber the community real
2 property unless both join in the execution of the deed or other instrument
3 by which the real property is sold, conveyed or encumbered, and the deed
4 or other instrument must be acknowledged by both.

5 4. Neither spouse may purchase or contract to purchase community
6 real property unless both join in the transaction of purchase or in the
7 execution of the contract to purchase.

8 5. Neither spouse may create a security interest, other than a purchase
9 money security interest as defined in ~~NRS 104.9107,~~ **section 4 of this act,**
10 in, or sell, community household goods, furnishings or appliances unless
11 both join in executing the security agreement or contract of sale, if any.

12 6. Neither spouse may acquire, purchase, sell, convey or encumber the
13 assets, including real property and goodwill, of a business where both
14 spouses participate in its management without the consent of the other. If
15 only one spouse participates in management, he may, in the ordinary course
16 of business, acquire, purchase, sell, convey or encumber the assets,
17 including real property and goodwill, of the business without the consent of
18 the nonparticipating spouse.

19 **Sec. 164.** NRS 125B.220 is hereby amended to read as follows:

20 125B.220 1. Upon deposit of any asset pursuant to NRS 125B.210
21 which is not money or is not readily convertible into money, the court may,
22 not fewer than 25 days after serving the obligor-parent with written notice
23 and providing an opportunity for hearing, order the sale of the asset and
24 deposit the proceeds of the sale with the trustee designated by the court to
25 receive the assets. The sale of assets must be conducted in accordance with
26 the provisions set forth in NRS 21.130 to 21.260, inclusive, governing the
27 sale of property under execution.

28 2. When an asset ordered to be deposited is real property, the order
29 must be certified in accordance with NRS 17.150 and recorded with the
30 county recorder. The deposited real property and the rights, benefits and
31 liabilities attached to that property continue in the possession of the legal
32 owner until it becomes subject to a use or sale of assets pursuant to this
33 section or NRS 125B.210. The legal owner may not transfer, encumber,
34 hypothecate, dispose of or realize profits from the property unless approved
35 by the court.

36 3. When an asset ordered to be deposited is personal property or
37 fixtures including goods, documents, instruments, general intangibles,
38 chattel paper or accounts, the trustee shall file a financing statement in
39 accordance with ~~NRS 104.9401, 104.9402 and 104.9403,~~ **sections 73, 74**
40 **and 88 of this act.**

41 4. When an asset ordered to be deposited is a vehicle registered with
42 the department of motor vehicles and public safety, the trustee shall deliver



1 to the department the certificate of ownership of the vehicle in accordance
2 with NRS 482.428.

3 **Sec. 165.** NRS 125B.280 is hereby amended to read as follows:

4 125B.280 1. The trustee designated by the court to receive assets
5 pursuant to NRS 125B.210, shall return any assets to the obligor-parent
6 when:

7 (a) The obligor-parent has given the trustee notice to return assets;

8 (b) All payments in arrears have been paid in full; and

9 (c) The obligor-parent has made, in a timely manner, all payments of
10 support ordered for the 12 months immediately preceding the date notice
11 was given to the trustee.

12 2. If the deposited assets include real property, upon the satisfaction of
13 the requirements of subsection 1, the trustee shall prepare a release and
14 record it in the office of the county recorder.

15 3. If the deposited assets include personal property or fixtures
16 including goods, documents, instruments, general intangibles, chattel paper
17 or accounts, the trustee shall, upon the satisfaction of the requirements of
18 subsection 1, prepare a ~~release~~ **termination statement** and file it in
19 accordance with ~~NRS 104.9406.~~ **section 85 of this act.**

20 4. If the deposited assets include a vehicle registered with the
21 department of motor vehicles and public safety, the trustee shall, upon the
22 satisfaction of the requirements of subsection 1, deliver the certificate of
23 ownership to the obligor-parent in accordance with NRS 482.431.

24 **Sec. 166.** NRS 225.105 is hereby amended to read as follows:

25 225.105 The secretary of state may prescribe standards for appropriate
26 forms to be used pursuant to ~~NRS 104.9403 to 104.9407, inclusive,~~
27 **section 93 of this act** which must be accepted by the county recorder of
28 every county of this state at the lower rate prescribed by those sections. The
29 secretary of state may, by regulation, establish the fees that must be paid to
30 obtain copies of these forms.

31 **Sec. 167.** NRS 482.432 is hereby amended to read as follows:

32 482.432 **Compliance** with the applicable provisions of NRS 482.423 to
33 482.431, inclusive, is sufficient for the perfection and release of a security
34 interest in a vehicle and for exemption from the requirement of filing of a
35 financing statement under the provisions of ~~paragraph (b) of subsection 3~~
36 ~~of NRS 104.9302.~~ **section 32 of this act.** In all other respects the rights
37 and duties of the debtor and secured party are governed by the Uniform
38 Commercial Code—Secured Transactions and chapter 97 of NRS to the
39 extent applicable.

40 **Sec. 168.** NRS 482.433 is hereby amended to read as follows:

41 482.433 NRS 482.423 to 482.432, inclusive, do not apply to a security
42 interest in:

43 1. Any vehicle which constitutes inventory held for sale; or



* S B 6 2 *

1 2. Any vehicle not required to be registered under this chapter.
2 Security interests in all such vehicles are governed by ~~NRS 104.9101 to~~
3 ~~104.9507, inclusive.] sections 2 to 134, inclusive, of this act.~~

4 **Sec. 169.** NRS 597.020 is hereby amended to read as follows:

5 597.020 1. A lease agreement with an option to purchase which
6 complies with the provisions of NRS 597.010 to 597.110, inclusive, is
7 exempt from the provisions of law governing:

- 8 (a) A security interest as defined in NRS 104.1201.
9 (b) A door-to-door sale is defined in NRS 597.180.
10 (c) The sale of consumer goods as defined in ~~NRS 104.9109.] section 3~~
11 ~~of this act.~~

12 2. The provisions of NRS 597.010 to 597.110, inclusive, do not apply
13 to:

- 14 (a) A lease agreement with an option to purchase entered into primarily
15 for business, commercial or agricultural purposes.
16 (b) A lease agreement with an option to purchase made with any
17 governmental agency.
18 (c) The lease of a safe deposit box.
19 (d) A lease or bailment of personal property which is incidental to the
20 lease of real property and which does not provide the customer with an
21 option to purchase the leased property.
22 (e) The lease of a motor vehicle.

23 **Sec. 170.** NRS 675.300 is hereby amended to read as follows:

24 675.300 1. A licensee may request that a borrower insure tangible
25 property when offered as security for a loan under this chapter against any
26 substantial risk of loss, damage or destruction for an amount not to exceed
27 the actual value of the property and for a term and upon conditions which
28 are reasonable and appropriate considering the nature of the property and
29 the maturity and other circumstances of the loan.

30 2. A licensee may require that a borrower provide title insurance on
31 real property offered as security for a loan under this chapter. The title
32 insurance must be placed through a title insurance company authorized to
33 do business in this state.

34 3. A licensee may provide, obtain or take as security for a loan:

- 35 (a) Insurance on the life and on the health or disability, or both, of one
36 or more parties obligated on the loan;
37 (b) Involuntary unemployment insurance;
38 (c) Insurance which protects his interest in the collateral pledged for the
39 loan;
40 (d) Single interest nonfiling insurance; or
41 (e) Any other credit-related insurance approved by the commissioner,
42 if the insurance complies with the applicable provisions of chapter 690A of
43 NRS.



* S B 6 2 *

1 4. In accepting any insurance provided by this section as security for a
2 loan, the licensee may include the premiums or identifiable charge as part
3 of the principal or may deduct the premiums or identifiable charge therefor
4 from the proceeds of the loan, which premium or identifiable charge must
5 not exceed those filed with and approved by the commissioner of
6 insurance, and remit those premiums to the insurance company writing the
7 insurance, and any gain or advantage to the licensee, any employee, officer,
8 director, agent, affiliate or associate from the insurance or its sale may not
9 be considered as additional or further charge in connection with any loan
10 made under this chapter. Not more than one policy of life insurance and
11 one policy providing accident and health coverage may be written by a
12 licensee in connection with any loan transaction under this chapter, and a
13 licensee shall not require the borrower to be insured as a condition of any
14 loan. If the unpaid balance of the loan is prepaid in full by cash or other
15 thing of value, refinancing, renewal, a new loan or otherwise, the charge for
16 any credit life insurance and any credit accident and health insurance must
17 be refunded or credited as prescribed in chapter 690A of NRS. The
18 insurance must be written by a company authorized to conduct business in
19 this state, and the licensee shall not require the purchase of the insurance
20 from any agent or broker designated by the licensee.

21 5. The amount charged to a debtor by a licensee for any type of
22 coverage under a policy of insurance provided by this section as security
23 for a loan must not exceed the amount of the premium. In the case of a
24 single interest nonfiling policy of insurance, the amount charged to a debtor
25 by a licensee must not exceed the amount charged by a county recorder for
26 filing and releasing documents pursuant to ~~NRS 104.9403 and 104.9406.~~
27 *section 97 of this act.*

28 6. As used in this section, "single interest nonfiling insurance" means a
29 contract of insurance for which a lender pays a predetermined fee, which
30 affords coverage to a lender in connection with a specific loan, and which
31 is obtained by the lender in lieu of perfecting a security interest pursuant to
32 chapter 104 of NRS.

33 **Sec. 171.** NRS 104.901, 104.902, 104.903, 104.904, 104.905,
34 104.9101, 104.9102, 104.9103, 104.9104, 104.9105, 104.9106, 104.9107,
35 104.9108, 104.9109, 104.9110, 104.9112, 104.9113, 104.9114, 104.9115,
36 104.9116, 104.9201, 104.9202, 104.9203, 104.9204, 104.9205, 104.9206,
37 104.9207, 104.9208, 104.9301, 104.9302, 104.9303, 104.9304, 104.9305,
38 104.9306, 104.9307, 104.9308, 104.9309, 104.9310, 104.9311, 104.9312,
39 104.9313, 104.9314, 104.9315, 104.9316, 104.9317, 104.9318, 104.9401,
40 104.9402, 104.9403, 104.9404, 104.9405, 104.9406, 104.9407, 104.9408,
41 104.9409, 104.9501, 104.9502, 104.9503, 104.9504, 104.9505, 104.9506
42 and 104.9507 are hereby repealed.



1 **Sec. 172.** The legislative counsel shall reserve for reuse the numbers
2 of the sections repealed by section 171 of this act and, except as otherwise
3 provided in this section, in preparing the 1999 reprint of NRS, shall number
4 the sections of chapter 104 of NRS that are added by sections 2 to 135,
5 inclusive, of this act, and the internal references thereto, to correspond to
6 the numbers assigned to those sections of the Uniform Commercial Code
7 by the National Conference of Commissioners on Uniform State Laws. The
8 legislative counsel shall number the sections added by sections 128 to 134,
9 inclusive, of this act consecutively beginning with NRS 104.901. The
10 reserved numbers not so used are reserved for future use for similar
11 purposes.

12 **Sec. 173.** 1. This section and section 172 of this act become
13 effective upon passage and approval.

14 2. Sections 1 to 171, inclusive, of this act become effective on January
15 1, 2001.

LEADLINES OF REPEALED SECTIONS

- 104.901 Prior unperfected interests.
- 104.902 Continuation of existing interests.
- 104.903 Required refilings.
- 104.904 Priorities.
- 104.905 Presumption rule of law continues unchanged.
- 104.9101 Short title.
- 104.9102 Policy and subject matter of article.
- 104.9103 Perfection of security interest in multiple-state transactions.
- 104.9104 Transactions excluded from article.
- 104.9105 Definitions and index of definitions.
- 104.9106 Definitions: “Account”; “general intangibles.”
- 104.9107 Definitions: “Purchase money security interest.”
- 104.9108 When after-acquired collateral not security for antecedent debt.
- 104.9109 Classification of goods; “consumer goods”; “equipment”; “farm products”; “inventory.”
- 104.9110 Sufficiency of description.
- 104.9112 Where collateral is not owned by debtor.
- 104.9113 Security interest arising under article on sales or under article on leases.
- 104.9114 Consignment.
- 104.9115 Investment property.



* S B 6 2 *

- 104.9116 Security interest arising in purchase or delivery of financial asset.
- 104.9201 General validity of security agreement.
- 104.9202 Title to collateral immaterial.
- 104.9203 Attachment and enforceability of security interest; proceeds; formal requisites.
- 104.9204 After-acquired property; future advances.
- 104.9205 Use or disposition of collateral without accounting permissible.
- 104.9206 Agreement not to assert defenses against assignee; modification of sale warranties where security agreement exists.
- 104.9207 Rights and duties when collateral is in secured party's possession.
- 104.9208 Request for statement of account or list of collateral.
- 104.9301 Persons who take priority over unperfected security interests; right of "lien creditor."
- 104.9302 When filing is required to perfect security interest; security interests to which filing provisions of this article do not apply.
- 104.9303 When security interest is perfected; continuity of perfection.
- 104.9304 Perfection of security interest in instruments, documents, proceeds of letter of credit, and goods covered by documents; perfection by permissive filing; temporary perfection without filing or transfer of possession.
- 104.9305 When possession by secured party perfects security interest without filing.
- 104.9306 "Proceeds"; secured party's rights on disposition of collateral.
- 104.9307 Protection of buyers of goods.
- 104.9308 Purchase of chattel paper and instruments.
- 104.9309 Protection of purchasers of instruments, documents and securities.
- 104.9310 Priority of certain liens arising by operation of law.
- 104.9311 Alienability of debtor's rights: Judicial process.
- 104.9312 Priorities among conflicting security interests in the same collateral.
- 104.9313 Priority of security interests in fixtures.
- 104.9314 Accessions.
- 104.9315 Priority when goods are commingled or processed.
- 104.9316 Priority subject to subordination.
- 104.9317 Secured party not obligated on contract of debtor.



104.9318 Defenses against assignee; modification of contract after notification of assignment; term prohibiting assignment ineffective; identification and proof of assignment.

104.9401 Place of filing; erroneous filing; removal of collateral.

104.9402 Formal requisites of financing statement; amendments; mortgage as financing statement.

104.9403 What constitutes filing; duration of filing; effect of lapsed filing; duties of filing officer.

104.9404 Termination statement.

104.9405 Assignment of security interest; duties of filing officer; fees.

104.9406 Release of collateral; duties of filing officer; fees.

104.9407 Information from filing officer.

104.9408 Financing statements covering consigned or leased goods.

104.9409 Fee for filing attachment with document.

104.9501 Default; procedure when security agreement covers both real and personal property.

104.9502 Collection rights of secured party.

104.9503 Secured party's right to take possession after default.

104.9504 Secured party's right to dispose of collateral after default; effect of disposition.

104.9505 Compulsory disposition of collateral; acceptance of the collateral as discharge of obligation.

104.9506 Debtor's right to redeem collateral.

104.9507 Secured party's liability for failure to comply with this part.

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