

## HOUSE BILL No. 2487

By Committee on Judiciary

2-9

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AN ACT concerning the uniform commercial code; relating to secured transactions; amending K.S.A. 84-1-105, as amended by section 135 of chapter 142 of the 2000 Session Laws of Kansas, section 2 of chapter 142 of the 2000 Session Laws of Kansas, section 4 of chapter 142 of the 2000 Session Laws of Kansas, section 26 of chapter 142 of the 2000 Session Laws of Kansas, section 31 of chapter 142 of the 2000 Session Laws of Kansas, section 36 of chapter 142 of the 2000 Session Laws of Kansas, section 37 of chapter 142 of the 2000 Session Laws of Kansas, section 51 of chapter 142 of the 2000 Session Laws of Kansas, section 54 of chapter 142 of the 2000 Session Laws of Kansas, section 68 of chapter 142 of the 2000 Session Laws of Kansas, section 80 of chapter 142 of the 2000 Session Laws of Kansas, section 84 of chapter 142 of the 2000 Session Laws of Kansas, section 96 of chapter 142 of the 2000 Session Laws of Kansas, section 106 of chapter 142 of the 2000 Session Laws of Kansas, section 111 of chapter 142 of the 2000 Session Laws of Kansas, section 113 of chapter 142 of the 2000 Session Laws of Kansas, section 123 of chapter 142 of the 2000 Session Laws of Kansas, section 126 of chapter 142 of the 2000 Session Laws of Kansas, section 127 of chapter 142 of the 2000 Session Laws of Kansas, section 130 of chapter 142 of the 2000 Session Laws of Kansas, section 132 of chapter 142 of the 2000 Session Laws of Kansas, section 133 of chapter 142 of the 2000 Session Laws of Kansas, and repealing the existing sections.

*Be it enacted by the Legislature of the State of Kansas:*

Section 1. Section 2 of chapter 142 of the 2000 Session Laws of Kansas is hereby amended to read as follows: Sec. 2. (UCC 9-102.) **Definitions.** In this article:

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

(2) "Account," except as used in "account for," means a right to payment of a monetary obligation, whether or not earned by performance, (A) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (B) for services rendered or to be rendered, (C) for a policy of insurance issued or to be issued, (D) for a secondary ob-

1 ligation incurred or to be incurred, (E) for energy provided or to be  
2 provided, (F) for the use or hire of a vessel under a charter or other  
3 contract, (G) arising out of the use of a credit or charge card or infor-  
4 mation contained on or for use with the card, or (H) as winnings in a  
5 lottery or other game of chance operated or sponsored by a state, gov-  
6 ernmental unit of a state, or person licensed or authorized to operate the  
7 game by a state or governmental unit of a state. The term includes health-  
8 care-insurance receivables. The term does not include: (A) rights to pay-  
9 ment evidenced by chattel paper or an instrument, (B) commercial tort  
10 claims, (C) deposit accounts, (D) investment property, (E) letter-of-credit  
11 rights or letters of credit, or (F) rights to payment for money or funds  
12 advanced or sold, other than rights arising out of the use of a credit or  
13 charge card or information contained on or for use with the card.

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

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

19 (A) Authenticated by a secured party;

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

23 (C) identifying the components of the obligations in reasonable  
24 detail.

25 (5) "Agricultural lien" means an interest, other than a security inter-  
26 est, in farm products: (A) Which secures payment or performance of an  
27 obligation for:

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

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

32 (B) which is created by statute in favor of a person that:

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

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

37 (C) whose effectiveness does not depend on the person's possession  
38 of the personal property. Agricultural lien shall not include statutory liens.

39 (6) "As-extracted collateral" means: (A) Oil, gas, or other minerals  
40 that are subject to a security interest that:

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

43 (ii) attaches to the minerals as extracted; or

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

4 (7) "Authenticate" means:

5 (A) To sign; or

6 (B) to execute or otherwise adopt a symbol, or encrypt or similarly  
7 process a record in whole or in part, with the present intent of the au-  
8 thenticating person to identify the person and adopt or accept a record.

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

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

14 (10) "Certificate of title" means a certificate of title with respect to  
15 which a statute provides for the security interest in question to be indi-  
16 cated on the certificate as a condition or result of the security interest's  
17 obtaining priority over the rights of a lien creditor with respect to the  
18 collateral.

19 (11) "Chattel paper" means a record or records that evidence both a  
20 monetary obligation and a security interest in specific goods, a security  
21 interest in specific goods and software used in the goods, a security in-  
22 terest in specific goods and license of software used in the goods, a lease  
23 of specific goods, or a lease of specific goods and license of software used  
24 in the goods. In this subsection, "monetary obligation" means a monetary  
25 obligation secured by the goods or owed under a lease of the goods and  
26 includes a monetary obligation with respect to software used in the goods.  
27 The term does not include (i) charters or other contracts involving the  
28 use or hire of a vessel or (ii) records that evidence a right to payment  
29 arising out of the use of a credit or charge card or information contained  
30 on or for use with the card. If a transaction is evidenced by records that  
31 include an instrument or series of instruments, the group of records taken  
32 together constitutes chattel paper.

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

35 (A) Proceeds to which a security interest attaches;

36 (B) accounts, chattel paper, payment intangibles, and promissory  
37 notes that have been sold; and

38 (C) goods that are the subject of a consignment.

39 (13) "Commercial tort claim" means a claim arising in tort with re-  
40 spect to which:

41 (A) The claimant is an organization; or

42 (B) the claimant is an individual and the claim:

43 (i) arose in the course of the claimant's business or profession; and

1 (ii) does not include damages arising out of personal injury to or the  
2 death of an individual.

3 (14) "Commodity account" means an account maintained by a com-  
4modity intermediary in which a commodity contract is carried for a com-  
5modity customer.

6 (15) "Commodity contract" means a commodity futures contract, an  
7option on a commodity futures contract, a commodity option, or another  
8contract if the contract or option is:

9 (A) Traded on or subject to the rules of a board of trade that has  
10been designated as a contract market for such a contract pursuant to  
11federal commodities laws; or

12 (B) traded on a foreign commodity board of trade, exchange, or mar-  
13ket, and is carried on the books of a commodity intermediary for a com-  
14modity customer.

15 (16) "Commodity customer" means a person for which a commodity  
16intermediary carries a commodity contract on its books.

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

18 (A) Is registered as a futures commission merchant under federal  
19commodities law; or

20 (B) in the ordinary course of its business provides clearance or set-  
21tlement services for a board of trade that has been designated as a contract  
22market pursuant to federal commodities law.

23 (18) "Communicate" means:

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

25 (B) to transmit a record by any means agreed upon by the persons  
26sending and receiving the record; or

27 (C) in the case of transmission of a record to or by a filing office, to  
28transmit a record by any means prescribed by filing-office rule.

29 (19) "Consignee" means a merchant to which goods are delivered in  
30a consignment.

31 (20) "Consignment" means a transaction, regardless of its form, in  
32which a person delivers goods to a merchant for the purpose of sale and:

33 (A) The merchant:

34 (i) Deals in goods of that kind under a name other than the name of  
35the person making delivery;

36 (ii) is not an auctioneer; and

37 (iii) is not generally known by its creditors to be substantially engaged  
38in selling the goods of others;

39 (B) with respect to each delivery, the aggregate value of the goods is  
40\$1,000 or more at the time of delivery;

41 (C) the goods are not consumer goods immediately before delivery;  
42and

43 (D) the transaction does not create a security interest that secures an

1 obligation.

2 (21) "Consignor" means a person that delivers goods to a consignee  
3 in a consignment.

4 (22) "Consumer debtor" means a debtor in a consumer transaction.

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

7 (24) "Consumer-goods transaction" means a consumer transaction in  
8 which:

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

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

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

15 (26) "Consumer transaction" means a transaction in which (i) an in-  
16 dividual incurs an obligation primarily for personal, family, or household  
17 purposes, (ii) a security interest secures the obligation, and (iii) the col-  
18 lateral is held or acquired primarily for personal, family, or household  
19 purposes. The term includes consumer-goods transactions.

20 (27) "Continuation statement" means an amendment of a financing  
21 statement which:

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

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

26 (28) "Debtor" means:

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

29 (B) a seller of accounts, chattel paper, payment intangibles, or prom-  
30 issory notes; or

31 (C) a consignee.

32 (29) "Deposit account" means a demand, time, savings, passbook, or  
33 similar account maintained with a bank. The term does not include in-  
34 vestment property or accounts evidenced by an instrument.

35 (30) "Document" means a document of title or a receipt of the type  
36 described in section (2).

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

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

43 (33) "Equipment" means goods other than inventory, farm products,

1 or consumer goods.

2 (34) "Farm products" means goods, other than standing timber, with  
3 respect to which the debtor is engaged in a farming operation and which  
4 are: (A) Crops grown, growing, or to be grown, including:

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

6 (ii) aquatic goods produced in aquacultural operations;

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

9 (C) supplies used or produced in a farming operation; or

10 (D) products of crops or livestock in their unmanufactured states.

11 (35) "Farming operation" means raising, cultivating, propagating, fat-  
12 tening, grazing, or any other farming, livestock, or aquacultural operation.

13 (36) "File number" means the number assigned to an initial financing  
14 statement pursuant to section 90(a) and amendments thereto.

15 (37) "Filing office" means an office designated in section 72 and  
16 amendments thereto as the place to file a financing statement.

17 (38) "Filing-office rule" means a rule adopted pursuant to section 97  
18 and amendments thereto.

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

22 (40) "Fixture filing" means the filing of a financing statement cov-  
23 ering goods that are or are to become fixtures and satisfying section 73(a)  
24 and (b) and amendments thereto. The term includes the filing of a fi-  
25 nancing statement covering goods of a transmitting utility which are or  
26 are to become fixtures.

27 (41) "Fixtures" means goods that have become so related to partic-  
28 ular real property that an interest in them arises under real property law.

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

35 (43) "Good faith" means honesty in fact and the observance of rea-  
36 sonable commercial standards of fair dealing.

37 (44) "Goods" means all things that are movable when a security in-  
38 terest attaches. The term includes (A) fixtures, (B) standing timber that  
39 is to be cut and removed under a conveyance or contract for sale, (C) the  
40 unborn young of animals, (D) crops grown, growing, or to be grown, even  
41 if the crops are produced on trees, vines, or bushes, and (E) manufactured  
42 homes. The term also includes a computer program embedded in goods  
43 and any supporting information provided in connection with a transaction

1 relating to the program if (A) the program is associated with the goods in  
2 such a manner that it customarily is considered part of the goods, or (B)  
3 by becoming the owner of the goods, a person acquires a right to use the  
4 program in connection with the goods. The term does not include a com-  
5 puter program embedded in goods that consist solely of the medium in  
6 which the program is embedded. The term also does not include ac-  
7 counts, chattel paper, commercial tort claims, deposit accounts, docu-  
8 ments, general intangibles, instruments, investment property, letter-of-  
9 credit rights, letters of credit, money, or oil, gas, or other minerals before  
10 extraction.

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

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

20 (47) "Instrument" means a negotiable instrument, a writing that  
21 would otherwise qualify as a certificate of deposit (defined in subsection  
22 (j) of K.S.A. 84-3-104, and amendments thereto) but for the fact that the  
23 writing contains a limitation on transfer, or any other writing that evi-  
24 dences a right to the payment of a monetary obligation, is not itself a  
25 security agreement or lease, and is of a type that in ordinary course of  
26 business is transferred by delivery with any necessary indorsement or  
27 assignment. The term does not include (i) investment property, (ii) letters  
28 of credit, or (iii) writings that evidence a right to payment arising out of  
29 the use of a credit or charge card or information contained on or for use  
30 with the card.

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

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

33 (B) are held by a person for sale or lease or to be furnished under a  
34 contract of service;

35 (C) are furnished by a person under a contract of service; or

36 (D) consist of raw materials, work in process, or materials used or  
37 consumed in a business.

38 (49) "Investment property" means a security, whether certificated or  
39 uncertificated, security entitlement, securities account, commodity con-  
40 tract, or commodity account.

41 (50) "Jurisdiction of organization," with respect to a registered or-  
42 ganization, means the jurisdiction under whose law the organization is  
43 organized.

1 (51) "Letter-of-credit right" means a right to payment or perform-  
2 ance under a letter of credit, whether or not the beneficiary has de-  
3 manded or is at the time entitled to demand payment or performance.  
4 The term does not include the right of a beneficiary to demand payment  
5 or performance under a letter of credit.

6 (52) "Lien creditor" means:

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

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

10 (C) a trustee in bankruptcy from the date of the filing of the petition;  
11 or

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

13 (53) "Manufactured home" means a structure, transportable in one  
14 or more sections, which, in the traveling mode, is eight body feet or more  
15 in width or 40 body feet or more in length, or, when erected on site, is  
16 320 or more square feet, and which is built on a permanent chassis and  
17 designed to be used as a dwelling with or without a permanent foundation  
18 when connected to the required utilities, and includes the plumbing,  
19 heating, air conditioning, and electrical systems contained therein. The  
20 term includes any structure that meets all of the requirements of this  
21 paragraph except the size requirements and with respect to which the  
22 manufacturer voluntarily files a certification required by the United States  
23 Secretary of Housing and Urban Development and complies with the  
24 standards established under Title 42 of the United States Code.

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

26 (A) That creates a purchase-money security interest in a manufac-  
27 tured home, other than a manufactured home held as inventory; or

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

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

32 (56) "New debtor" means a person that becomes bound as a debtor  
33 under section 13(d) and amendments thereto by a security agreement  
34 previously entered into by another person.

35 (57) "New value" means (A) money, (B) money's worth in property,  
36 services, or new credit, or (C) release by a transferee of an interest in  
37 property previously transferred to the transferee. The term does not in-  
38 clude an obligation substituted for another obligation.

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

40 (59) "Obligor" means a person that, with respect to an obligation  
41 secured by a security interest in or an agricultural lien on the collateral,  
42 (A) owes payment or other performance of the obligation, (B) has pro-  
43 vided property other than the collateral to secure payment or other per-



1 formance of the obligation, or (C) is otherwise accountable in whole or  
2 in part for payment or other performance of the obligation. The term  
3 does not include issuers or nominated persons under a letter of credit.

4 (60) "Original debtor," *except as used in subsection (c) of section 30*  
5 *of chapter 142 of the 2000 Session Laws of Kansas*, means a person that,  
6 as debtor, entered into a security agreement to which a new debtor has  
7 become bound under section 13(d) and amendments thereto.

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

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

- 11 (A) The spouse of the individual;  
12 (B) a brother, brother-in-law, sister, or sister-in-law of the individual;  
13 (C) an ancestor or lineal descendant of the individual or the individ-  
14 ual's spouse; or  
15 (D) any other relative, by blood or marriage, of the individual or the  
16 individual's spouse who shares the same home with the individual.

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

- 18 (A) A person directly or indirectly controlling, controlled by, or under  
19 common control with the organization;  
20 (B) an officer or director of, or a person performing similar functions  
21 with respect to, the organization;  
22 (C) an officer or director of, or a person performing similar functions  
23 with respect to, a person described in subparagraph (A);  
24 (D) the spouse of an individual described in subparagraph (A), (B),  
25 or (C); or  
26 (E) an individual who is related by blood or marriage to an individual  
27 described in subparagraph (A), (B), (C), or (D) and shares the same home  
28 with the individual.

29 (64) "Proceeds," *except as used in subsection (b) of section 107 of*  
30 *chapter 142 of the 2000 Session Laws of Kansas*, means the following  
31 property:

- 32 (A) Whatever is acquired upon the sale, lease, license, exchange, or  
33 other disposition of collateral;  
34 (B) whatever is collected on, or distributed on account of, collateral;  
35 (C) rights arising out of collateral;  
36 (D) to the extent of the value of collateral, claims arising out of the  
37 loss, nonconformity, or interference with the use of, defects or infringe-  
38 ment of rights in, or damage to, the collateral; or  
39 (E) to the extent of the value of collateral and to the extent payable  
40 to the debtor or the secured party, insurance payable by reason of the  
41 loss or nonconformity of, defects or infringement of rights in, or damage  
42 to, the collateral.

43 (65) "Promissory note" means an instrument that evidences a prom-

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

4 (66) "Proposal" means a record authenticated by a secured party  
5 which includes the terms on which the secured party is willing to accept  
6 collateral in full or partial satisfaction of the obligation it secures pursuant  
7 to sections 118, 119 and 120 and amendments thereto.

8 (67) "Public-finance transaction" means a secured transaction in con-  
9 nection with which:

10 (A) Debt securities are issued;

11 (B) all or a portion of the securities issued have an initial stated ma-  
12 turity of at least 20 years; and

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

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

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

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

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

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

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

35 (72) "Secured party" means:

36 (A) A person in whose favor a security interest is created or provided  
37 for under a security agreement, whether or not any obligation to be se-  
38 cured is outstanding;

39 (B) a person that holds an agricultural lien;

40 (C) a consignor;

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

43 (E) a trustee, indenture trustee, agent, collateral agent, or other rep-

1 resentative in whose favor a security interest or agricultural lien is created  
2 or provided for; or

3 (F) a person that holds a security interest arising under K.S.A. 84-2-  
4 401, 84-2-505, 84-2-711(3), 84-2a-508(5), 84-4-210 and 84-5-118 and  
5 amendments thereto.

6 (73) "Security agreement" means an agreement that creates or pro-  
7 vides for a security interest.

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

9 (A) To deposit in the mail, deliver for transmission, or transmit by  
10 any other usual means of communication, with postage or cost of trans-  
11 mission provided for, addressed to any address reasonable under the cir-  
12 cumstances; or

13 (B) to cause the record or notification to be received within the time  
14 that it would have been received if properly sent under subparagraph (A).

15 (75) "Software" means a computer program and any supporting in-  
16 formation provided in connection with a transaction relating to the pro-  
17 gram. The term does not include a computer program that is included in  
18 the definition of goods.

19 (76) "State" means a state of the United States, the District of Co-  
20 lumbia, Puerto Rico, the United States Virgin Islands, or any territory or  
21 insular possession subject to the jurisdiction of the United States.

22 (77) "Statutory lien" means liens created by K.S.A. 2-1319, 2-2608, 2-  
23 3007, 34-239, 47-836, 58-201, 58-203, 58-204, 58-207, 58-218, 58-220,  
24 58-221, 58-241, 58-242, 58-2524, 58-2525, 58-2526, 58-2527, 58-2528 and  
25 84-7-209, and amendments thereto.

26 (78) "Supporting obligation" means a letter-of-credit right or second-  
27 ary obligation that supports the payment or performance of an account,  
28 chattel paper, a document, a general intangible, an instrument, or in-  
29 vestment property.

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

33 (80) "Termination statement" means an amendment of a financing  
34 statement which:

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

37 (B) indicates either that it is a termination statement or that the iden-  
38 tified financing statement is no longer effective.

39 (81) "Transmitting utility" means a person primarily engaged in the  
40 business of:

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

42 (B) transmitting communications electrically, electromagnetically, or  
43 by light;

1 (C) transmitting goods by pipeline or sewer; or  
 2 (D) transmitting or producing and transmitting electricity, steam, gas,  
 3 or water.

4 (b) **Definitions in other articles.** The following definitions in other  
 5 articles apply to this article:

6 "Applicant"	K.S.A. 84-5-102
7 "Beneficiary"	K.S.A. 84-5-102
8 "Broker"	K.S.A. 84-8-102
9 "Certificated security"	K.S.A. 84-8-102
10 "Check"	K.S.A. 84-3-104
11 "Clearing corporation"	K.S.A. 84-8-102
12 "Contract for sale"	K.S.A. 84-2-106
13 "Customer"	K.S.A. 84-4-104
14 "Entitlement holder"	K.S.A. 84-8-102
15 "Financial asset"	K.S.A. 84-8-102
16 "Holder in due course"	K.S.A. 84-3-302
17 "Issuer" (with respect to a letter of credit or 18 letter-of-credit right)	K.S.A. 84-5-102
19 "Issuer" (with respect to a security)	K.S.A. 84-8-102
20 "Lease"	K.S.A. 84-2a-103
21 "Lease agreement"	K.S.A. 84-2a-103
22 "Lease contract"	K.S.A. 84-2a-103
23 "Leasehold interest"	K.S.A. 84-2a-103
24 "Lessee"	K.S.A. 84-2a-103
25 "Lessee in ordinary course of business"	K.S.A. 84-2a-103
26 "Lessor"	K.S.A. 84-2a-103
27 "Lessor's residual interest"	K.S.A. 84-2a-103
28 "Letter of credit"	K.S.A. 84-5-102
29 "Merchant"	K.S.A. 84-2-104
30 "Negotiable instrument"	K.S.A. 84-3-104
31 "Nominated person"	K.S.A. 84-5-102
32 "Note"	K.S.A. 84-3-104
33 "Proceeds of a letter of credit"	K.S.A. 84-5-114
34 "Prove"	K.S.A. 84-3-103
35 "Sale"	K.S.A. 84-2-106
36 "Securities account"	K.S.A. 84-8-501
37 "Securities intermediary"	K.S.A. 84-8-102
38 "Security"	K.S.A. 84-8-102
39 "Security certificate"	K.S.A. 84-8-102
40 "Security entitlement"	K.S.A. 84-8-102
41 "Uncertificated security"	K.S.A. 84-8-102

42 (c) **Article 1 definitions and principles.** Article 1 contains general  
 43 definitions and principles of construction and interpretation applicable

1 throughout this article.

2 Sec. 2. Section 4 of chapter 142 of the 2000 Session Laws of Kansas  
3 is hereby amended to read as follows: Sec. 4. (UCC 9-104.) **Require-**  
4 **ments for control.** (a) A secured party has control of a deposit account  
5 if:

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

8 (2) the debtor, secured party, and bank have agreed in an authenti-  
9 cated record that the bank will comply with instructions originated by the  
10 secured party directing disposition of the funds in the *deposit* account  
11 without further consent by the debtor; or

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

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

17 Sec. 3. Section 26 of chapter 142 of the 2000 Session Laws of Kansas  
18 is hereby amended to read as follows: Sec. 26. (UCC 9-306.) (a) **Gov-**  
19 **erning law: issuers issuer's or nominated person's jurisdiction.** Sub-  
20 ject to subsection (c), the local law of the issuer's jurisdiction or a nomi-  
21 nated person's jurisdiction governs perfection, the effect of perfection or  
22 nonperfection, and the priority of a security interest in a letter-of-credit  
23 right if the issuer's jurisdiction or nominated person's jurisdiction is a  
24 state.

25 (b) **Issuer's or nominated person's jurisdiction.** For purposes of  
26 this part, an issuer's jurisdiction or nominated person's jurisdiction is the  
27 jurisdiction whose law governs the liability of the issuer or nominated  
28 person with respect to the letter-of-credit right as provided in K.S.A. 84-  
29 5-116 and amendments thereto.

30 (c) **When section not applicable.** This section does not apply to a  
31 security interest that is perfected only under section 28(d) and amend-  
32 ments thereto.

33 Sec. 4. Section 31 of chapter 142 of the 2000 Session Laws of Kansas  
34 is hereby amended to read as follows: Sec. 31. (UCC 9-311.) (a) **Security**  
35 **interest subject to other law.** Except as otherwise provided in subsec-  
36 tion (d), the filing of a financing statement is not necessary or effective  
37 to perfect a security interest in property subject to:

38 (1) A statute, regulation, or treaty of the United States whose require-  
39 ments for a security interest's obtaining priority over the rights of a lien  
40 creditor with respect to the property preempt section 30(a) and amend-  
41 ments thereto;

42 (2) any certificate-of-title law of this state covering automobiles, trail-  
43 ers, mobile homes, boats, farm tractors, or the like, which provides for a

1 security interest to be indicated on the certificate as a condition or result  
2 of perfection; or

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

7 (b) **Compliance with other law.** Compliance with the requirements  
8 of a statute, regulation, or treaty described in subsection (a) for obtaining  
9 priority over the rights of a lien creditor is equivalent to the filing of a  
10 financing statement under this article. Except as otherwise provided in  
11 subsection (d) and sections 33 and 36(d) and (e) and amendments thereto  
12 for goods covered by a certificate of title, a security interest in property  
13 subject to a statute, regulation, or treaty described in subsection (a) may  
14 be perfected only by compliance with those requirements, and a security  
15 interest so perfected remains perfected notwithstanding a change in the  
16 use or transfer of possession of the collateral.

17 (c) **Duration and renewal of perfection.** Except as otherwise pro-  
18 vided in subsection (d) and section 36(d) and (e) and amendments  
19 thereto, duration and renewal of perfection of a security interest per-  
20 fected by compliance with the requirements prescribed by a statute, reg-  
21 ulation, or treaty described in subsection (a) are governed by the statute,  
22 regulation, or treaty. In other respects, the security interest is subject to  
23 this article.

24 (d) **Inapplicability to certain inventory.** During any period in  
25 which collateral *subject to a statute specified in subsection (a)(2)* is inven-  
26 tory held for sale or lease by a person or leased by that person as lessor  
27 and that person is in the business of selling ~~or leasing~~ goods of that kind,  
28 this section does not apply to a security interest in that collateral created  
29 by that person ~~as debtor~~.

30 Sec. 5. Section 36 of chapter 142 of the 2000 Session Laws of Kansas  
31 is hereby amended to read as follows: Sec. 36. (UCC 9-316.) (a) **General**  
32 **rule: effect on perfection of change in governing law.** A security  
33 interest perfected pursuant to the law of the jurisdiction designated in  
34 section 21(1) or 25(c) and amendments thereto remains perfected until  
35 the earliest of:

36 (1) The time perfection would have ceased under the law of that  
37 jurisdiction;

38 (2) the expiration of four months after a change of the debtor's lo-  
39 cation to another jurisdiction; or

40 (3) the expiration of one year after a transfer of collateral to a person  
41 that thereby becomes a debtor and is located in another jurisdiction.

42 (b) **Security interest perfected or unperfected under law of**  
43 **new jurisdiction.** If a security interest described in subsection (a) be-

1 comes perfected under the law of the other jurisdiction before the earliest  
2 time or event described in that subsection, it remains perfected there-  
3 after. If the security interest does not become perfected under the law  
4 of the other jurisdiction before the earliest time or event, it becomes  
5 unperfected and is deemed never to have been perfected as against a  
6 purchaser of the collateral for value.

7 (c) **Possessory security interest in collateral moved to new ju-**  
8 **risdiction.** A possessory security interest in collateral, other than goods  
9 covered by a certificate of title and as extracted collateral consisting of  
10 goods, remains continuously perfected if:

11 (1) The collateral is located in one jurisdiction and subject to a se-  
12 curity interest perfected under the law of that jurisdiction;

13 (2) thereafter the collateral is brought into another jurisdiction; and

14 (3) upon entry into the other jurisdiction, the security interest is per-  
15 fected under the law of the other jurisdiction.

16 (d) **Goods covered by certificate of title from this state.** Except  
17 as otherwise provided in subsection (e), a security interest in goods cov-  
18 ered by a certificate of title which is perfected by any method under the  
19 law of another jurisdiction when the goods become covered by a certifi-  
20 cate of title from this state remains perfected until the security interest  
21 would have become unperfected under the law of the other jurisdiction  
22 had the goods not become so covered.

23 (e) **When subsection (d) security interests interest becomes un-**  
24 **perfected against purchasers.** A security interest described in subsec-  
25 tion (d) becomes unperfected as against a purchaser of the goods for value  
26 and is deemed never to have been perfected as against a purchaser of the  
27 goods for value if the applicable requirements for perfection under sec-  
28 tion 31(b) or 33 and amendments thereto are not satisfied before the  
29 earlier of:

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

33 (2) the expiration of four months after the goods had become so  
34 covered.

35 (f) **Change in jurisdiction of bank, issuer, nominated person,**  
36 **securities intermediary, or commodity intermediary.** A security in-  
37 terest in deposit accounts, letter-of-credit rights, or investment property  
38 which is perfected under the law of the bank's jurisdiction, the issuer's  
39 jurisdiction, a nominated person's jurisdiction, the securities intermedi-  
40 ary's jurisdiction, or the commodity intermediary's jurisdiction, as appli-  
41 cable, remains perfected until the earlier of:

42 (1) The time the security interest would have become unperfected  
43 under the law of that jurisdiction; or

1 (2) the expiration of four months after a change of the applicable  
2 jurisdiction to another jurisdiction.

3 (g) **Subsection (f) security interest perfected or unperfected**  
4 **under law of new jurisdiction.** If a security interest described in sub-  
5 section (f) becomes perfected under the law of the other jurisdiction  
6 before the earlier of the time or the end of the period described in that  
7 subsection, it remains perfected thereafter. If the security interest does  
8 not become perfected under the law of the other jurisdiction before the  
9 earlier of that time or the end of that period, it becomes unperfected and  
10 is deemed never to have been perfected as against a purchaser of the  
11 collateral for value.

12 Sec. 6. Section 37 of chapter 142 of the 2000 Session Laws of Kansas  
13 is hereby amended to read as follows: Sec. 37. (UCC 9-317.) (a) **Con-**  
14 **flicting security interests and rights of lien creditors.** A security in-  
15 terest or agricultural lien is subordinate to the rights of:

16 (1) A person entitled to priority under section 42 and amendments  
17 thereto; and

18 (2) except as otherwise provided in subsection (e), a person that be-  
19 comes a lien creditor before the earlier of the time:

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

21 (B) *on the conditions specified in subsection (b)(3) of section 13 of*  
22 *chapter 142 of the 2000 Session Laws of Kansas is met and* a financing  
23 statement covering the collateral is filed.

24 (b) **Buyers that receive delivery.** Except as otherwise provided in  
25 subsection (e), a buyer, other than a secured party, of tangible chattel  
26 paper, documents, goods, instruments, or a security certificate takes free  
27 of a security interest or agricultural lien if the buyer gives value and  
28 receives delivery of the collateral without knowledge of the security in-  
29 terest or agricultural lien and before it is perfected.

30 (c) **Lessees that receive delivery.** Except as otherwise provided in  
31 subsection (e), a lessee of goods takes free of a security interest or agri-  
32 cultural lien if the lessee gives value and receives delivery of the collateral  
33 without knowledge of the security interest or agricultural lien and before  
34 it is perfected.

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

41 (e) **Purchase-money security interest.** Except as otherwise pro-  
42 vided in sections 40 and 41 and amendments thereto, if a person files a  
43 financing statement with respect to a purchase-money security interest



1 before or within 20 days after the debtor receives delivery of the collat-  
2 eral, the security interest takes priority over the rights of a buyer, lessee,  
3 or lien creditor which arise between the time the security interest attaches  
4 and the time of filing.

5 Sec. 7. Section 51 of chapter 142 of the 2000 Session Laws of Kansas  
6 is hereby amended to read as follows: Sec. 51. (UCC 9-331.) (a) **Rights**  
7 **under Articles 3, 7, and 8 not limited.** This article does not limit the  
8 rights of a holder in due course of a negotiable instrument, a holder to  
9 which a negotiable document of title has been duly negotiated, or a pro-  
10 tected purchaser of a security. These holders or purchasers take priority  
11 over an earlier security interest, even if perfected, to the extent provided  
12 in articles 3, 7, and 8.

13 (b) **Protection under Article 8.** This article does not limit the rights  
14 of or impose liability on a person to the extent that the person is protected  
15 against the assertion of an ~~an~~ adverse a claim under article 8.

16 (c) **Filing not notice.** Filing under this article does not constitute  
17 notice of a claim or defense to the holders, or purchasers, or persons  
18 described in subsections (a) and (b).

19 Sec. 8. Section 54 of chapter 142 of the 2000 Session Laws of Kansas  
20 is hereby amended to read as follows: Sec. 54. (UCC 9-334.) (a) **Security**  
21 **interest in fixtures under this article.** A security interest under this  
22 article may be created in goods that are fixtures or may continue in goods  
23 that become fixtures. A security interest does not exist under this article  
24 in ordinary building materials incorporated into an improvement on land.

25 (b) **Security interest in fixtures under real-property law.** This  
26 article does not prevent creation of an encumbrance upon fixtures under  
27 real property law.

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

32 (d) **Fixtures purchase-money priority.** Except as otherwise pro-  
33 vided in subsection (h), a perfected security interest in fixtures has priority  
34 over a conflicting interest of an encumbrancer or owner of the real prop-  
35 erty if the debtor has an interest of record in or is in possession of the  
36 real property and:

37 (1) The security interest is a purchase-money security interest;

38 (2) the interest of the encumbrancer or owner arises before the goods  
39 become fixtures; and

40 (3) the security interest is perfected by a fixture filing before the  
41 goods become fixtures or within 20 days thereafter.

42 (e) **Priority of security interest in fixtures over interests in real**  
43 **property.** A perfected security interest in fixtures has priority over a

1 conflicting interest of an encumbrancer or owner of the real property if:  
2 (1) The debtor has an interest of record in the real property or is in  
3 possession of the real property and the security interest:  
4 (A) Is perfected by a fixture filing before the interest of the encum-  
5 brancer or owner is of record; and  
6 (B) has priority over any conflicting interest of a predecessor in title  
7 of the encumbrancer or owner;  
8 (2) before the goods become fixtures, the security interest is per-  
9 fected by any method permitted by this article and the fixtures are readily  
10 removable:  
11 (A) Factory or office machines;  
12 (B) equipment that is not primarily used or leased for use in the  
13 operation of the real property; or  
14 (C) replacements of domestic appliances that are consumer goods;  
15 (3) the conflicting interest is a lien on the real property obtained by  
16 legal or equitable proceedings after the security interest was perfected  
17 by any method permitted by this article; or  
18 (4) the security interest is:  
19 (A) Created in a manufactured home in a manufactured-home trans-  
20 action; and  
21 (B) perfected pursuant to a statute described in section 31(a)(2) and  
22 amendments thereto.  
23 (f) **Priority based on consent, disclaimer, or right to remove.** A  
24 security interest in fixtures, whether or not perfected, has priority over a  
25 conflicting interest of an encumbrancer or owner of the real property if:  
26 (1) The encumbrancer or owner has, in an authenticated record, con-  
27 sented to the security interest or disclaimed an interest in the goods as  
28 fixtures; or  
29 (2) the debtor has a right to remove the goods as against the encum-  
30 brancer or owner.  
31 (g) **Continuation of ~~subsection (f)~~ paragraph (f)(2) priority.** The  
32 priority of the security interest under ~~subsection (f)~~ *paragraph (f)(2)* con-  
33 tinues for a reasonable time if the debtor's right to remove the goods as  
34 against the encumbrancer or owner terminates.  
35 (h) **Priority of construction mortgage.** A mortgage is a construc-  
36 tion mortgage to the extent that it secures an obligation incurred for the  
37 construction of an improvement on land, including the acquisition cost  
38 of the land, if a recorded record of the mortgage so indicates. Except as  
39 otherwise provided in subsections (e) and (f), a security interest in fixtures  
40 is subordinate to a construction mortgage if a record of the mortgage is  
41 recorded before the goods become fixtures and the goods become fixtures  
42 before the completion of the construction. A mortgage has this priority  
43 to the same extent as a construction mortgage to the extent that it is given

1 to refinance a construction mortgage.

2 (i) **Priority of security interest in crops.** A perfected security in-  
3 terest in crops growing on real property has priority over a conflicting  
4 interest of an encumbrancer or owner of the real property if the debtor  
5 has an interest of record in or is in possession of the real property.

6 (j) **Subsection (i) prevails.** Subsection (i) prevails over any incon-  
7 sistent provisions of law of this state.

8 Sec. 9. Section 68 of chapter 142 of the 2000 Session Laws of Kansas  
9 is hereby amended to read as follows: Sec. 68. (UCC 9-406.) (a) **Dis-  
10 charge of account debtor; effect of notification.** Subject to subsec-  
11 tions (b) through (i), an account debtor on an account, chattel paper, or  
12 a payment intangible may discharge the account debtor's obligation by  
13 paying the assignor until, but not after, the account debtor receives a  
14 notification, authenticated by the assignor or the assignee, that the  
15 amount due or to become due has been assigned and that payment is to  
16 be made to the assignee. After receipt of the notification, the account  
17 debtor may discharge the account debtor's obligation by paying the as-  
18 signee and may not discharge the obligation by paying the assignor.

19 (b) **When notification ineffective.** Subject to subsection (h), noti-  
20 fication is ineffective under subsection (a):

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

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

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

29 (A) Only a portion of the account, chattel paper, or ~~general payment~~  
30 intangible has been assigned to that assignee;

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

32 (C) the account debtor knows that the assignment to that assignee is  
33 limited.

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

39 (d) **Term restricting assignment generally ineffective.** Except as  
40 otherwise provided in subsection (e), K.S.A. 84-2a-303 and section 69,  
41 and amendments thereto, and subject to subsection (h), a term in an  
42 agreement between an account debtor and an assignor or in a promissory  
43 note is ineffective to the extent that it:

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

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

11 (e) **Inapplicability of subsection (d) to certain sales.** Subsection  
12 (d) does not apply to the sale of a payment intangible or promissory note.

13 (f) **Legal restrictions on assignment generally ineffective.** Ex-  
14 cept as otherwise provided in K.S.A. 84-2a-303 and section 69 and amend-  
15 ments thereto, and subject to subsections (h) and (i), a rule of law, statute,  
16 or regulation that prohibits, restricts, or requires the consent of a gov-  
17 ernment, governmental body or official, or account debtor to the assign-  
18 ment or transfer of, or creation of a security interest in, an account or  
19 chattel paper is ineffective to the extent that the rule of law, statute, or  
20 regulation:

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

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

29 (g) **Subsection (b)(3) not waivable.** Subject to subsection (h), an  
30 account debtor may not waive or vary its option under subsection (b)(3).

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

35 (i) **Inapplicability to health-care-insurance receivable.** This sec-  
36 tion does not apply to an assignment of a health-care-insurance  
37 receivable.

38 (j) **Section prevails over specified inconsistent law.** This section  
39 prevails over any inconsistent provisions of any laws, rules, and  
40 regulations.

41 Sec. 10. Section 80 of chapter 142 of the 2000 Session Laws of Kan-  
42 sas is hereby amended to read as follows: Sec. 80. (UCC 9-509.) (a) **Per-**  
43 **son entitled to file record.** A person may file an initial financing state-

1 ment, amendment that adds collateral covered by a financing statement,  
2 or amendment that adds a debtor to a financing statement only if:

3 (1) The debtor authorizes the filing in an authenticated record *pur-*  
4 *suant to subsection (b) or (c)*; or

5 (2) the person holds an agricultural lien that has become effective at  
6 the time of filing and the financing statement covers only collateral in  
7 which the person holds an agricultural lien.

8 (b) **Security agreement as authorization.** By authenticating or be-  
9 coming bound as debtor by a security agreement, a debtor or new debtor  
10 authorizes the filing of an initial financing statement, and an amendment,  
11 covering:

12 (1) The collateral described in the security agreement; and

13 (2) property that becomes collateral under section 35(a)(2) and  
14 amendments thereto, whether or not the security agreement expressly  
15 covers proceeds.

16 (c) **Acquisition of collateral as authorization.** By acquiring collat-  
17 eral in which a security interest or agricultural lien continues under sec-  
18 tion 35(a)(1) and amendments thereto, a debtor authorizes the filing of  
19 an initial financing statement, and an amendment, covering the collateral  
20 and property that becomes collateral under section 35(a)(2) and amend-  
21 ments thereto.

22 (d) **Person entitled to file certain amendments.** A person may  
23 file an amendment other than an amendment that adds collateral covered  
24 by a financing statement or an amendment that adds a debtor to a fi-  
25 nancing statement only if:

26 (1) The secured party of record authorizes the filing; or

27 (2) the amendment is a termination statement for a financing state-  
28 ment as to which the secured party of record has failed to file or send a  
29 termination statement as required by section 84(a) or (c) and amend-  
30 ments thereto, the debtor authorizes the filing, and the termination state-  
31 ment indicates that the debtor authorized it to be filed.

32 (e) **Multiple secured parties of record.** If there is more than one  
33 secured party of record for a financing statement, each secured party of  
34 record may authorize the filing of an amendment under subsection (d).

35 Sec. 11. Section 84 of chapter 142 of the 2000 Session Laws of Kan-  
36 sas is hereby amended to read as follows: Sec. 84. (UCC 9-513.) (a) **Con-**  
37 **sumer goods.** A secured party shall cause the secured party of record  
38 for a financing statement to file a termination statement for the financing  
39 statement if the financing statement covers consumer goods and:

40 (1) There is no obligation secured by the collateral covered by the  
41 financing statement and no commitment to make an advance, incur an  
42 obligation, or otherwise give value; or

43 (2) the debtor did not authorize the filing of the initial financing

1 statement.

2 (b) **Time for compliance with subsection (a).** To comply with sub-  
3 section (a), a secured party shall cause the secured party of record to file  
4 the termination statement:

5 (1) Within one month after there is no obligation secured by the  
6 collateral covered by the financing statement and no commitment to  
7 make an advance, incur an obligation, or otherwise give value; or

8 (2) if earlier, within 20 days after the secured party receives an au-  
9 thenticated demand from a debtor.

10 (c) **Other collateral.** In cases not governed by subsection (a), within  
11 20 days after a secured party receives an authenticated demand from a  
12 debtor, the secured party shall cause the secured party of record for a  
13 financing statement to send to the debtor a termination statement for the  
14 financing statement or file the termination statement in the filing office  
15 if:

16 (1) Except in the case of a financing statement covering accounts or  
17 chattel paper that has been sold or goods that are the subject of a con-  
18 signment, there is no obligation secured by the collateral covered by the  
19 financing statement and no commitment to make an advance, incur an  
20 obligation, or otherwise give value;

21 (2) the financing statement covers accounts or chattel paper that has  
22 been sold but as to which the account debtor or other person obligated  
23 has discharged its obligation;

24 (3) the financing statement covers goods that were the subject of a  
25 consignment to the debtor but are not in the debtor's possession; or

26 (4) the debtor did not authorize the filing of the initial financing  
27 statement.

28 (d) **Effect of filing termination statement.** Except as otherwise  
29 provided in section 81 and amendments thereto, upon the filing of a  
30 termination statement with the filing office, the financing statement to  
31 which the termination statement relates ceases to be effective. *Except as*  
32 *otherwise provided in section 81 of chapter 142 of the 2000 Session Laws*  
33 *of Kansas, and amendments thereto, for purposes of subsection (g) of*  
34 *section 90 of chapter 142 of the 2000 Session Laws of Kansas, subsection*  
35 *(a) of section 93 of chapter 142 of the 2000 Session Laws of Kansas, and*  
36 *subsection (c) of section 94 of chapter 142 of the 2000 Session Laws of*  
37 *Kansas, and amendments thereto, the filing with the filing office of a*  
38 *termination statement relating to a financing statement that indicates that*  
39 *the debtor is a transmitting utility also causes the effectiveness of the*  
40 *financing statement to lapse.*

41 Sec. 12. Section 96 of chapter 142 of the 2000 Session Laws of Kan-  
42 sas is hereby amended to read as follows: Sec. 96. (UCC 9-525.) (a) **Initial**  
43 **financing statement or other record: general rule.** The fee for filing

1 and indexing a record under this part shall be provided by the secretary  
2 of state.

3 Sec. 13. Section 106 of chapter 142 of the 2000 Session Laws of  
4 Kansas is hereby amended to read as follows: Sec. 106. (UCC 9-608.) (a)  
5 **Application of proceeds, surplus, and deficiency if obligation se-**  
6 **secured.** If a security interest or agricultural lien secures payment or per-  
7 formance of an obligation, the following rules apply:

8 (1) A secured party shall apply or pay over for application the cash  
9 proceeds of collection or enforcement under ~~this~~ section *105 of chapter*  
10 *142 of the 2000 Session Laws of Kansas, and amendments thereto*, in the  
11 following order to:

12 (A) The reasonable expenses of collection and enforcement and, to  
13 the extent provided for by agreement and not prohibited by law, reason-  
14 able attorney fees and legal expenses incurred by the secured party;

15 (B) the satisfaction of obligations secured by the security interest or  
16 agricultural lien under which the collection or enforcement is made; and

17 (C) the satisfaction of obligations secured by any subordinate security  
18 interest in or other lien on the collateral subject to the security interest  
19 or agricultural lien under which the collection or enforcement is made if  
20 the secured party receives an authenticated demand for proceeds before  
21 distribution of the proceeds is completed.

22 (2) If requested by a secured party, a holder of a subordinate security  
23 interest or other lien shall furnish reasonable proof of the interest or lien  
24 within a reasonable time. Unless the holder complies, the secured party  
25 need not comply with the holder's demand under paragraph (1)(C).

26 (3) A secured party need not apply or pay over for application non-  
27 cash proceeds of collection and enforcement under ~~this~~ section *105 of*  
28 *chapter 142 of the 2000 Session Laws of Kansas, and amendments thereto*,  
29 unless the failure to do so would be commercially unreasonable. A se-  
30 cured party that applies or pays over for application noncash proceeds  
31 shall do so in a commercially reasonable manner.

32 (4) A secured party shall account to and pay a debtor for any surplus,  
33 and the obligor is liable for any deficiency.

34 (b) **No surplus or deficiency in sales of certain rights to pay-**  
35 **ment.** If the underlying transaction is a sale of accounts, chattel paper,  
36 payment intangibles, or promissory notes, the debtor is not entitled to  
37 any surplus, and the obligor is not liable for any deficiency.

38 Sec. 14. Section 111 of chapter 142 of the 2000 Session Laws of  
39 Kansas is hereby amended to read as follows: Sec. 111. (UCC 9-613.)  
40 Except in a consumer-goods transaction, the following rules apply:

41 (1) The contents of a notification of disposition are sufficient if the  
42 notification:

43 (A) Describes the debtor and the secured party;

1 (B) describes the collateral that is the subject of the intended  
2 disposition;

3 (C) states the method of intended disposition;

4 (D) states that the debtor is entitled to an accounting of the unpaid  
5 indebtedness and states the charge, if any, for an accounting; and

6 (E) states the time and place of a public ~~sale~~ *disposition* or the time  
7 after which any other disposition is to be made.

8 (2) Whether the contents of a notification that lacks any of the infor-  
9 mation specified in paragraph (1) are nevertheless sufficient is a question  
10 of fact.

11 (3) The contents of a notification providing substantially the infor-  
12 mation specified in paragraph (1) are sufficient, even if the notification  
13 includes:

14 (A) Information not specified by that paragraph; or

15 (B) minor errors that are not seriously misleading.

16 (4) A particular phrasing of the notification is not required.

17 (5) The following form of notification and the form appearing in sec-  
18 tion 112(3) and amendments thereto, when completed, each provides  
19 sufficient information:

20 **NOTIFICATION OF DISPOSITION OF COLLATERAL**

21 To:

22 *Name of debtor, obligor, or other person to which the notification is sent*

23 From:

24 *Name, address, and telephone number of secured party*

25 Name of Debtor(s):

26 *Include only if debtor(s) are not an addressee*

27 *For a public disposition:*

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

30 Day and Date:

31 Time:

32 Place:

33 *For a private disposition:*

34 We will sell [or lease or license, *as applicable*] the *describe collateral*  
35 privately sometime after; [*day and date*].

36 You are entitled to an accounting of the unpaid indebtedness secured  
37 by the property that we intend to sell [or lease or license, *as applicable*]  
38 [for a charge of \$\_\_\_\_\_]. You may request an accounting by calling us  
39 at [*telephone number*].

40 Sec. 15. Section 113 of chapter 142 of the 2000 Session Laws of  
41 Kansas is hereby amended to read as follows: Sec. 113. (UCC 9-615.) (a)

42 **Application of proceeds.** A secured party shall apply or pay over for  
43 application the cash proceeds of disposition *under section 108 of chapter*



1 *142 of the 2000 Session Laws of Kansas, and amendments thereto*, in the  
2 following order to:

3 (1) The reasonable expenses of retaking, holding, preparing for dis-  
4 position, processing, and disposing, and, to the extent provided for by  
5 agreement and not prohibited by law, reasonable attorney fees and legal  
6 expenses incurred by the secured party;

7 (2) the satisfaction of obligations secured by the security interest or  
8 agricultural lien under which the disposition is made;

9 (3) the satisfaction of obligations secured by any subordinate security  
10 interest in or other subordinate lien on the collateral if:

11 (A) The secured party receives from the holder of the subordinate  
12 security interest or other lien an authenticated demand for proceeds be-  
13 fore distribution of the proceeds is completed; and

14 (B) in a case in which a consignor has an interest in the collateral,  
15 the subordinate security interest or other lien is senior to the interest of  
16 the consignor; and

17 (4) a secured party that is a consignor of the collateral if the secured  
18 party receives from the consignor an authenticated demand for proceeds  
19 before distribution of the proceeds is completed.

20 (b) **Proof of subordinate interest.** If requested by a secured party,  
21 a holder of a subordinate security interest or other lien shall furnish rea-  
22 sonable proof of the interest or lien within a reasonable time. Unless the  
23 holder does so, the secured party need not comply with the holder's  
24 demand under subsection (a)(3).

25 (c) **Application of noncash proceeds.** A secured party need not  
26 apply or pay over for application noncash proceeds of disposition under  
27 ~~this~~ section 108 of chapter 142 of the 2000 Session Laws of Kansas, and  
28 amendments thereto, unless the failure to do so would be commercially  
29 unreasonable. A secured party that applies or pays over for application  
30 noncash proceeds shall do so in a commercially reasonable manner.

31 (d) **Surplus or deficiency if obligation secured.** If the security  
32 interest under which a disposition is made secures payment or perform-  
33 ance of an obligation, after making the payments and applications re-  
34 quired by subsection (a) and permitted by subsection (c):

35 (1) Unless subsection (a)(4) requires the secured party to apply or  
36 pay over cash proceeds to a consignor, the secured party shall account to  
37 and pay a debtor for any surplus; and

38 (2) the obligor is liable for any deficiency.

39 (e) **No surplus or deficiency in sales of certain rights to pay-**  
40 **ment.** If the underlying transaction is a sale of accounts, chattel paper,  
41 payment intangibles, or promissory notes:

42 (1) The debtor is not entitled to any surplus; and

43 (2) the obligor is not liable for any deficiency.

1 (f) **Calculation of surplus or deficiency in disposition to person**  
2 **related to secured party.** The surplus or deficiency following a dispo-  
3 sition is calculated based on the amount of proceeds that would have  
4 been realized in a disposition complying with this part to a transferee  
5 other than the secured party, a person related to the secured party, or a  
6 secondary obligor if:

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

9 (2) the amount of proceeds of the disposition is significantly below  
10 the range of proceeds that a complying disposition to a person other than  
11 the secured party, a person related to the secured party, or a secondary  
12 obligor would have brought.

13 (g) **Cash proceeds received by junior secured party.** A secured  
14 party that receives cash proceeds of a disposition in good faith and without  
15 knowledge that the receipt violates the rights of the holder of a security  
16 interest or other lien that is not subordinate to the security interest or  
17 agricultural lien under which the disposition is made:

18 (1) Takes the cash proceeds free of the security interest or other lien;

19 (2) is not obligated to apply the proceeds of the disposition to the  
20 satisfaction of obligations secured by the security interest or other lien;  
21 and

22 (3) is not obligated to account to or pay the holder of the security  
23 interest or other lien for any surplus.

24 Sec. 16. Section 123 of chapter 142 of the 2000 Session Laws of  
25 Kansas is hereby amended to read as follows: Sec. 123. (UCC 9-625.) (a)  
26 **Judicial orders concerning noncompliance.** If it is established that a  
27 secured party is not proceeding in accordance with this article, a court  
28 may order or restrain collection, enforcement, or disposition of collateral  
29 on appropriate terms and conditions.

30 (b) **Damages for noncompliance.** Subject to subsections (c), (d),  
31 and (f), a person is liable for damages in the amount of any loss caused  
32 by a failure to comply with this article. Loss caused by a failure to comply  
33 ~~with a request under section 20 and amendments thereto~~ may include  
34 loss resulting from the debtor's inability to obtain, or increased costs of,  
35 alternative financing.

36 (c) **Persons entitled to recover damages; statutory damages in**  
37 **consumer-goods transaction.** Except as otherwise provided in section  
38 126 and amendments thereto:

39 (1) A person that, at the time of the failure, was a debtor, was an  
40 obligor, or held a security interest in or other lien on the collateral may  
41 recover damages under subsection (b) for its loss; and

42 (2) if the collateral is consumer goods, a person that was a debtor or  
43 a secondary obligor at the time a secured party failed to comply with this

1 part may recover for that failure in any event an amount not less than the  
2 credit service charge plus 10 percent of the principal amount of the ob-  
3 ligation or the time-price differential plus 10 percent of the cash price.

4 (d) **Recovery when deficiency eliminated or reduced.** A debtor  
5 whose deficiency is eliminated under section 124 and amendments  
6 thereto may recover damages for the loss of any surplus. However, a  
7 debtor or secondary obligor whose deficiency is eliminated or reduced  
8 under section 124 and amendments thereto may not otherwise recover  
9 under subsection (b) for noncompliance with the provisions of this part  
10 relating to collection, enforcement, disposition, or acceptance.

11 (e) **Statutory damages: noncompliance with specified provi-**  
12 **sions.** In addition to any damages recoverable under subsection (b), the  
13 debtor, consumer obligor, or person named as a debtor in a filed record,  
14 as applicable, may recover \$500 in each case from a person that:

15 (1) Fails to comply with section 18 and amendments thereto;

16 (2) fails to comply with section 19 and amendments thereto;

17 (3) files a record that the person is not entitled to file under section  
18 80(a) and amendments thereto;

19 (4) fails to cause the secured party of record to file or send a termi-  
20 nation statement as required by section 84(a) or (c) and amendments  
21 thereto;

22 (5) fails to comply with section 114(b)(1) and amendments thereto,  
23 and whose failure is part of a pattern, or consistent with a practice, of  
24 noncompliance; or

25 (6) fails to comply with section 114(b)(2) and amendments thereto.

26 (f) **Statutory damages: noncompliance with section 20 and**  
27 **amendments thereto.** A debtor or consumer obligor may recover dam-  
28 ages under subsection (b) and, in addition, \$500 in each case from a  
29 person that, without reasonable cause, fails to comply with a request un-  
30 der section 20 and amendments thereto. A recipient of a request under  
31 section 20 and amendments thereto which never claimed an interest in  
32 the collateral or obligations that are the subject of a request under that  
33 section has a reasonable excuse for failure to comply with the request  
34 within the meaning of this subsection.

35 (g) **Limitation of security interest: noncompliance with section**  
36 **20 and amendments thereto.** If a secured party fails to comply with a  
37 request regarding a list of collateral or a statement of account under  
38 section 20 and amendments thereto, the secured party may claim a se-  
39 curity interest only as shown in the *list or* statement included in the  
40 request as against a person that is reasonably misled by the failure.

41 Sec. 17. Section 126 of chapter 142 of the 2000 Session Laws of  
42 Kansas is hereby amended to read as follows: Sec. 126. (UCC 9-628.) (a)  
43 **Limitation of liability to debtor or obligor of secured party for non-**

1 **compliance with article.** Unless a secured party knows that a person is  
2 a debtor or obligor, knows the identity of the person, and knows how to  
3 communicate with the person:

4 (1) The secured party is not liable to the person, or to a secured party  
5 or lienholder that has filed a financing statement against the person, for  
6 failure to comply with this article; and

7 (2) the secured party's failure to comply with this article does not  
8 affect the liability of the person for a deficiency.

9 (b) **Limitation of liability to debtor, obligor, another secured**  
10 **party, or lienholder based on status as secured party.** A secured party  
11 is not liable because of its status as secured party:

12 (1) To a person that is a debtor or obligor, unless the secured party  
13 knows:

14 (A) That the person is a debtor or obligor;

15 (B) the identity of the person; and

16 (C) how to communicate with the person; or

17 (2) to a secured party or lienholder that has filed a financing state-  
18 ment against a person, unless the secured party knows:

19 (A) That the person is a debtor; and

20 (B) the identity of the person.

21 (c) **Limitation of liability if reasonable belief that transaction**  
22 **not a consumer-goods transaction or consumer transaction.** A se-  
23 cured party is not liable to any person, and a person's liability for a de-  
24 ficiency is not affected, because of any act or omission arising out of the  
25 secured party's reasonable belief that a transaction is not a consumer-  
26 goods transaction or a consumer transaction or that goods are not con-  
27 sumer goods, if the secured party's belief is based on its reasonable reli-  
28 ance on:

29 (1) A debtor's representation concerning the purpose for which col-  
30 lateral was to be used, acquired, or held; or

31 (2) an obligor's representation concerning the purpose for which a  
32 secured obligation was incurred.

33 (d) **Limitation of liability for statutory damages.** A secured party  
34 is not liable to any person under section 123(c)(2) and amendments  
35 thereto, for its failure to comply with section 114 and amendments  
36 thereto.

37 (e) **Limitation of multiple liability for statutory damages.** A se-  
38 cured party is not liable under section 123(c)(2) and amendments thereto,  
39 more than once with respect to any one secured obligation.

40 Sec. 18. Section 127 of chapter 142 of the 2000 Session Laws of  
41 Kansas is hereby amended to read as follows: Sec. 127. (UCC 9-702.) (a)  
42 **Pre-effective date transactions or liens.** Except as otherwise provided  
43 in this part, this act applies to a transaction or lien within its scope, even

1 if the transaction or lien was entered into or created before this act takes  
2 effect.

3 (b) **Continuing validity.** Except as otherwise provided in subsection  
4 (c) and sections 128 through 133 of *chapter 142 of the 2000 Session Laws*  
5 *of Kansas, and section 22* and amendments thereto:

6 (1) Transactions and liens that were not governed by former article  
7 9, were validly entered into or created before this act takes effect, and  
8 would be subject to this act if they had been entered into or created after  
9 this act takes effect, and the rights, duties, and interests flowing from  
10 those transactions and liens remain valid after this act takes effect; and

11 (2) the transactions and liens may be terminated, completed, con-  
12 summated, and enforced as required or permitted by this act or by the  
13 law that otherwise would apply if this act had not taken effect.

14 (c) **Pre-effective date proceedings.** This act does not affect an ac-  
15 tion, case, or proceeding commenced before this act takes effect.

16 Sec. 19. Section 130 of chapter 142 of the 2000 Session Laws of  
17 Kansas is hereby amended to read as follows: Sec. 130. (UCC 9-705.) (a)  
18 **Pre-effective date action; one-year perfection period unless reper-**  
19 **fectured.** If action, other than the filing of a financing statement, is taken  
20 before this act takes effect and the action would have resulted in priority  
21 of a security interest over the rights of a person that becomes a lien  
22 creditor had the security interest become enforceable before this act takes  
23 effect, the action is effective to perfect a security interest that attaches  
24 under this act within one year after this act takes effect. An attached  
25 security interest becomes unperfected one year after this act takes effect  
26 unless the security interest becomes a perfected security interest under  
27 this act before the expiration of that period.

28 (b) **Pre-effective date filing.** The filing of a financing statement  
29 before this act takes effect is effective to perfect a security interest to the  
30 extent the filing would satisfy the applicable requirements for perfection  
31 under this act.

32 (c) **Pre-effective date filing in jurisdiction formerly governing**  
33 **perfection.** This act does not render ineffective an effective financing  
34 statement that, before this act takes effect, is filed and satisfies the ap-  
35 plicable requirements for perfection under the law of the jurisdiction  
36 governing perfection as provided in K.S.A. 84-9-103 prior to the effective  
37 date of this act. However, except as otherwise provided in subsections (d)  
38 and (e) and section 131 and amendments thereto, the financing statement  
39 ceases to be effective at the earlier of:

40 (1) The time the financing statement would have ceased to be effec-  
41 tive under the law of the jurisdiction in which it is filed; or

42 (2) June 30, 2006.

43 (d) **Continuation statement.** The filing of a continuation statement

1 after this act takes effect does not continue the effectiveness of the fi-  
2 nancing statement filed before this act takes effect. However, upon the  
3 timely filing of a continuation statement after this act takes effect and in  
4 accordance with the law of the jurisdiction governing perfection as pro-  
5 vided in part 3, the effectiveness of a financing statement filed in the  
6 same office in that jurisdiction before this act takes effect continues for  
7 the period provided by the law of that jurisdiction.

8 (e) **Application of subsection (c)(2) to transmitting utility fi-**  
9 **ncing statement.** Subsection (c)(2) applies to a financing statement  
10 that, before this act takes effect, is filed against a transmitting utility and  
11 satisfies the applicable requirements for perfection under the law of the  
12 jurisdiction governing perfection as provided in K.S.A. 84-9-103 prior to  
13 the effective date of this act only to the extent that part 3 provides that  
14 the law of a jurisdiction other than *the* jurisdiction in which the financing  
15 statement is filed governs perfection of a security interest in collateral  
16 covered by the financing statement.

17 (f) **Application of Part 5.** A financing statement that includes a fi-  
18 nancing statement filed before this act takes effect and a continuation  
19 statement filed after this act takes effect is effective only to the extent  
20 that it satisfies the requirements of part 5 for an initial financing  
21 statement.

22 Sec. 20. Section 132 of chapter 142 of the 2000 Session Laws of  
23 Kansas is hereby amended to read as follows: Sec. 132 (UCC 9-707.) A  
24 person may file an initial financing statement or a continuation statement  
25 under this part if:

26 ~~—(1) The secured party of record authorizes the filing; and~~  
27 ~~—(2) the filing is necessary under this part;~~  
28 ~~—(A) To continue the effectiveness of a financing statement filed be-~~  
29 ~~fore this act takes effect; or~~  
30 ~~—(B) to perfect or continue the perfection of a security interest. (a)~~  
31 ***Pre-effective-date financing statement.*** In this section, “pre-effective-  
32 *date financing statement*” means a financing statement filed before this  
33 act takes effect.

34 (b) **Applicable law.** After this act takes effect, a person may add or  
35 delete collateral covered by, continue or terminate the effectiveness of, or  
36 otherwise amend the information provided in, a pre-effective-date fi-  
37 nancing statement only in accordance with the law of the jurisdiction  
38 governing perfection as provided in part 3. However, the effectiveness of  
39 a pre-effective-date financing statement also may be terminated in ac-  
40 cordance with the law of the jurisdiction in which the financing statement  
41 is filed.

42 (c) **Method of amending: general rule.** Except as otherwise pro-  
43 vided in subsection (d), if the law of this state governs perfection of a

1 security interest, the information in a pre-effective-date financing state-  
2 ment may be amended after this act takes effect only if:

3 (1) The pre-effective-date financing statement and an amendment are  
4 filed in the office specified in section 72 of chapter 142 of the 2000 Session  
5 Laws of Kansas, and amendments thereto;

6 (2) an amendment is filed in the office specified in section 72 of chap-  
7 ter 142 of the 2000 Session of Kansas, and amendments thereto, concur-  
8 rently with, or after the filing in that office of, an initial financing state-  
9 ment that satisfies subsection (c) of section 131 of chapter 142 of the 2000  
10 Session Laws of Kansas, and amendments thereto; or

11 (3) an initial financing statement that provides the information as  
12 amended and satisfies subsection (c) of section 131 of chapter 142 of the  
13 2000 Session Laws of Kansas, and amendments thereto, is filed in the  
14 office specified in section 72 of chapter 142 of the 2000 Session Laws of  
15 Kansas, and amendments thereto.

16 (d) **Method of amending; continuation.** If the law of this state gov-  
17 erns perfection of a security interest, the effectiveness of a pre-effective-  
18 date financing statement may be continued only under subsections (d)  
19 and (f) of section 130 of chapter 142 of the 2000 Session Laws of Kansas  
20 or section 131 of chapter 142 of the 2000 Session Laws of Kansas, and  
21 amendments thereto.

22 (e) **Method of amending; additional termination rule.** Whether or  
23 not the law of this state governs perfection of a security interest, the  
24 effectiveness of a pre-effective-date financing statement filed in this state  
25 may be terminated after this act takes effect by filing a termination state-  
26 ment in the office in which the pre-effective-date financing statement is  
27 filed, unless an initial financing statement that satisfies subsection (c) of  
28 section 131 of chapter 142 of the 2000 Session Laws of Kansas, and  
29 amendments thereto, has been filed in the office specified by the law of  
30 the jurisdiction governing perfection as provided in part 3 as the office in  
31 which to file a financing statement.

32 Sec. 21. Section 133 of chapter 142 of the 2000 Session Laws of  
33 Kansas is hereby amended to read as follows: Sec. 133. (UCC 9-708.) (a)  
34 **Law governing priority.** This act determines the priority of conflicting  
35 claims to collateral. However, if the relative priorities of the claims were  
36 established before this act takes effect, former article 9 determines  
37 priority.

38 ~~(b) **Priority if security interest becomes enforceable under sec-**~~  
39 ~~**tion 13 and amendments thereto.** For purposes of section 42(a) and~~  
40 ~~amendments thereto, the priority of a security interest that becomes en-~~  
41 ~~forceable under section 13 and amendments thereto, dates from the time~~  
42 ~~this act takes effect if the security interest is perfected under this act by~~  
43 ~~the filing of a financing statement before this act takes effect which would~~

~~not have been effective to perfect the security interest under former article 9. This subsection does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement. A person may file an initial financing statement or a continuation statement under this part if:~~

~~(1) The secured party of record authorizes the filing; and~~

~~(2) the filing is necessary under this part:~~

~~(A) To continue the effectiveness of a financing statement filed before this act takes effect; or~~

~~(B) to perfect or continue the perfection of a security interest.~~

New Sec. 22. (UCC 9-709.) (a) **Law governing priority.** This act determines the priority of conflicting claims to collateral. However, if the relative priorities of the claims were established before this act takes effect, former article 9 determines priority.

(b) **Priority if security interest becomes enforceable under section 13 and amendments thereto.** For purposes of section 42(a) and amendments thereto, the priority of a security interest that becomes enforceable under section 13 and amendments thereto, dates from the time this act takes effect if the security interest is perfected under this act by the filing of a financing statement before this act takes effect which would not have been effective to perfect the security interest under former article 9. This subsection does not apply to conflicting security interests each of which is perfected by the filing of such a financing statement.

Sec. 23. K.S.A. 84-1-105, as amended by section 135 of chapter 142 of the 2000 Session Laws of Kansas is hereby amended to read as follows: 84-1-105. (1) Except as provided hereafter in this section, when a transaction bears a reasonable relation to this state and also to another state or nation the parties may agree that the law either of this state or of such other state or nation shall govern their rights and duties. Failing such agreement this act applies to transactions bearing an appropriate relation to this state.

(2) Where one of the following provisions of this act specifies the applicable law, that provision governs and a contrary agreement is effective only to the extent permitted by the law (including the conflict of laws rules) so specified:

Rights of creditors against sold goods. K.S.A. 84-2-402 and amendments thereto.

Applicability of the article on leases. K.S.A. 84-2a-105 and 84-2a-106, and amendments thereto.

Applicability of the article on bank deposits and collections. K.S.A. 84-4-102 and amendments thereto.

Applicability of the article on investment securities. K.S.A. 84-8-110 and amendments thereto.



1 Governing law in the article on funds transfers. K.S.A. 84-4a-507 and  
2 amendments thereto.

3 Letters of credit. K.S.A. 84-5-116 and amendments thereto.

4 Law governing perfection, the effect of perfection or nonperfection,  
5 and the priority of security interests *and agricultural liens*. Sections 21  
6 through 27 of chapter 142 of the 2000 Session Laws of Kansas, and  
7 amendments thereto.

8 Sec. 24. K.S.A. 84-1-105, as amended by section 135 of chapter 142  
9 of the 2000 Session Laws of Kansas, section 2 of chapter 142 of the 2000  
10 Session Laws of Kansas, section 4 of chapter 142 of the 2000 Session  
11 Laws of Kansas, section 26 of chapter 142 of the 2000 Session Laws of  
12 Kansas, section 31 of chapter 142 of the 2000 Session Laws of Kansas,  
13 section 36 of chapter 142 of the 2000 Session Laws of Kansas, section 37  
14 of chapter 142 of the 2000 Session Laws of Kansas, section 51 of chapter  
15 142 of the 2000 Session Laws of Kansas, section 54 of chapter 142 of the  
16 2000 Session Laws of Kansas, section 68 of chapter 142 of the 2000 Ses-  
17 sion Laws of Kansas, section 80 of chapter 142 of the 2000 Session Laws  
18 of Kansas, section 84 of chapter 142 of the 2000 Session Laws of Kansas,  
19 section 96 of chapter 142 of the 2000 Session Laws of Kansas, section  
20 106 of chapter 142 of the 2000 Session Laws of Kansas, section 111 of  
21 chapter 142 of the 2000 Session Laws of Kansas, section 113 of chapter  
22 142 of the 2000 Session Laws of Kansas, section 123 of chapter 142 of  
23 the 2000 Session Laws of Kansas, section 126 of chapter 142 of the 2000  
24 Session Laws of Kansas, section 127 of chapter 142 of the 2000 Session  
25 Laws of Kansas, section 130 of chapter 142 of the 2000 Session Laws of  
26 Kansas, section 132 of chapter 142 of the 2000 Session Laws of Kansas,  
27 and section 133 of chapter 142 of the 2000 Session Laws of Kansas, are  
28 hereby repealed.

29 Sec. 25. This act shall take effect and be in force from and after its  
30 publication in the statute book.

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