

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 236

Session of  
1975

INTRODUCED BY MYERS, HILL, COPPERSMITH, STAUFFER, MURPHY,  
ORLANDO AND ZEMPRELLI, FEBRUARY 11, 1975

REFERRED TO BUSINESS AND COMMERCE, FEBRUARY 11, 1975

AN ACT

1 Amending the act of April 6, 1953 (P.L.3, No.1), entitled, as  
2 amended, "An act relating to certain commercial transactions  
3 and contracts and other documents concerning them, including  
4 sales, commercial paper, bank deposits and collections,  
5 documentary letters of credit, bulk transfers, warehouse  
6 receipts, bills of lading, other documents of title,  
7 investment securities, and secured transactions, including  
8 certain sales of accounts, chattel paper, and contract  
9 rights; providing for public notice to third parties in  
10 certain circumstances; regulating procedure, evidence and  
11 damages in certain court actions involving such transactions,  
12 contracts or documents, and to make uniform the law with  
13 respect thereto," further providing for secured transactions,  
14 sales of accounts, contract rights and chattel paper.

15 The General Assembly of the Commonwealth of Pennsylvania  
16 hereby enacts as follows:

17 Section 1. Subsection (2) of section 1-105, clauses (9) and  
18 (37) of section 1-201 and sections 2-107, 5-116 and 9-102, act  
19 of April 6, 1953 (P.L.3, No.1), known as the "Uniform Commercial  
20 Code," reenacted and amended October 2, 1959 (P.L.1023, No.426),  
21 are amended to read:

22 Section 1-105. Territorial Application of the Act; Parties'  
23 Power to Choose Applicable Law.--\* \* \*

24 (2) Where one of the following provisions of this Act

1 specifies the applicable law, that provision governs and a  
2 contrary agreement is effective only to the extent permitted by  
3 the law (including the conflict of laws rules) so specified:

4 Rights of creditors against sold goods. Section 2-402.

5 Applicability of the Article on Bank Deposits and  
6 Collections. Section 4-102.

7 Bulk transfers subject to the Article on Bulk Transfers.  
8 Section 6-102.

9 Applicability of the Article on Investment Securities.  
10 Section 8-106.

11 [Policy and scope] Perfection provisions of the Article on  
12 Secured Transactions. [Sections 9-102 and] Section 9-103.

13 Section 1-201. General Definitions.--Subject to additional  
14 definitions contained in the subsequent Articles of this Act  
15 which are applicable to specific Articles or Parts thereof, and  
16 unless the context otherwise requires, in this Act:

17 \* \* \*

18 (9) "Buyer in ordinary course of business" means a person  
19 who in good faith and without knowledge that the sale to him is  
20 in violation of the ownership rights or security interest of a  
21 third party in the goods buys in ordinary course from a person  
22 in the business of selling goods of that kind but does not  
23 include a pawnbroker. All persons who sell minerals or the like  
24 (including oil and gas) at wellhead or minehead shall be deemed  
25 to be persons in the business of selling goods of that kind.

26 "Buying" may be for cash or by exchange of other property or on  
27 secured or unsecured credit and includes receiving goods or  
28 documents of title under a pre-existing contract for sale but  
29 does not include a transfer in bulk or as security for or in  
30 total or partial satisfaction of a money debt.

1       \* \* \*

2       (37) "Security interest" means an interest in personal  
3 property or fixtures which secures payment or performance of an  
4 obligation. The retention or reservation of title by a seller of  
5 goods notwithstanding shipment or delivery to the buyer (Section  
6 2-401) is limited in effect to a reservation of a "security  
7 interest." The term also includes any interest of a buyer of  
8 accounts or chattel paper[, or contract rights] which is subject  
9 to Article 9. The special property interest of a buyer of goods  
10 on identification of such goods to a contract for sale under  
11 Section 2-401 is not a "security interest," but a buyer may also  
12 acquire a "security interest" by complying with Article 9.  
13 Unless a lease or consignment is intended as security,  
14 reservation of title thereunder is not a "security interest" but  
15 a consignment is in any event subject to the provisions on  
16 consignment sales (Section 2-326). Whether a lease is intended  
17 as security is to be determined by the facts of each case;  
18 however, (a) the inclusion of an option to purchase does not of  
19 itself make the lease one intended for security, and (b) an  
20 agreement that upon compliance with the terms of the lease the  
21 lessee shall become or has the option to become the owner of the  
22 property for no additional consideration or for a nominal  
23 consideration does make the lease one intended for security.

24       \* \* \*

25       Section 2-107. Goods To Be Severed From Realty; Recording.--  
26 (1) A contract for the sale of [timber,] minerals or the like  
27 (including oil or gas) or a structure or its materials to be  
28 removed from realty is a contract for the sale of goods within  
29 this Article if they are to be severed by the seller but until  
30 severance a purported present sale thereof which is not

1 effective as a transfer of an interest in land is effective only  
2 as a contract to sell.

3 (2) A contract for the sale apart from the land of growing  
4 crops or other things attached to realty and capable of  
5 severance without material harm thereto but not described in  
6 subsection (1) or of timber to be cut is a contract for the sale  
7 of goods within this Article whether the subject matter is to be  
8 severed by the buyer or by the seller even though it forms part  
9 of the realty at the time of contracting, and the parties can by  
10 identification effect a present sale before severance.

11 (3) The provisions of this section are subject to any third  
12 party rights provided by the law relating to realty records, and  
13 the contract for sale may be executed and recorded as a document  
14 transferring an interest in land and shall then constitute  
15 notice to third parties of the buyer's rights under the contract  
16 for sale.

17 Section 5-116. Transfer and Assignment.--(1) The right to  
18 draw under a credit can be transferred or assigned only when the  
19 credit is expressly designated as transferable or assignable.

20 (2) Even though the credit specifically states that it is  
21 nontransferable or nonassignable the beneficiary may before  
22 performance of the conditions of the credit assign his right to  
23 proceeds. Such an assignment is an assignment of [a contract  
24 right] an account under Article 9 on Secured Transactions and is  
25 governed by that Article except that

26 (a) the assignment is ineffective until the letter of credit  
27 or advice of credit is delivered to the assignee which delivery  
28 constitutes perfection of the security interest under Article 9;  
29 and

30 (b) the issuer may honor drafts or demands for payment drawn

1 under the credit until it receives a notification of the  
2 assignment signed by the beneficiary which reasonably identifies  
3 the credit involved in the assignment and contains a request to  
4 pay the assignee; and

5 (c) after what reasonably appears to be such a notification  
6 has been received the issuer may without dishonor refuse to  
7 accept or pay even to a person otherwise entitled to honor until  
8 the letter of credit or advice of credit is exhibited to the  
9 issuer.

10 (3) Except where the beneficiary has effectively assigned  
11 his right to draw or his right to proceeds, nothing in this  
12 section limits his right to transfer or negotiate drafts or  
13 demands drawn under the credit.

14 Section 9-102. Policy and [Scope] Subject Matter of  
15 Article.--(1) Except as otherwise provided [in Section 9-103 on  
16 multiple state transactions and] in Section 9-104 on excluded  
17 transactions, this Article applies [so far as concerns any  
18 personal property and fixtures within the jurisdiction of this  
19 State]

20 (a) to any transaction (regardless of its form) which is  
21 intended to create a security interest in personal property or  
22 fixtures including goods, documents, instruments, general  
23 intangibles, chattel paper or accounts [or contract rights]; and  
24 also

25 (b) to any sale of accounts[, contract rights] or chattel  
26 paper.

27 (2) This Article applies to security interests created by  
28 contract including pledge, assignment, chattel mortgage, chattel  
29 trust, trust deed, factor's lien, equipment trust, conditional  
30 sale, trust receipt, other lien or title retention contract and

1 lease or consignment intended as security. This Article does not  
2 apply to statutory liens except as provided in Section 9-310.

3 (3) The application of this Article to a security interest  
4 in a secured obligation is not affected by the fact that the  
5 obligation is itself secured by a transaction or interest to  
6 which this Article does not apply.

7 Section 2. Section 9-103 of the act, reenacted and amended  
8 October 2, 1959 (P.L.1023, No.426) and August 24, 1963  
9 (P.L.1213, No.510), is amended to read:

10 Section 9-103. [Accounts, Contract Rights, General  
11 Intangibles and Equipment Relating to Another Jurisdiction; and  
12 Incoming Goods Already Subject to a Security Interest.--(1) If  
13 the office where the assignor of accounts or contract rights  
14 keeps his records concerning them is in this state, the validity  
15 and perfection of a security interest therein and the  
16 possibility and effect of proper filing is governed by this  
17 Article; otherwise by the law (including the conflict of laws  
18 rules) of the jurisdiction where such office is located.

19 (2) If the chief place of business of a debtor is in this  
20 state, this Article governs the validity and perfection of a  
21 security interest and the possibility and effect of proper  
22 filing with regard to general intangibles or with regard to  
23 goods of a type which are normally used in more than one  
24 jurisdiction (such as automotive equipment, rolling stock,  
25 airplanes, road building equipment, commercial harvesting  
26 equipment, construction machinery and the like) if such goods  
27 are classified as equipment or classified as inventory by reason  
28 of their being leased by the debtor to others. Otherwise, the  
29 law (including the conflict of laws rules) of the jurisdiction  
30 where such chief place of business is located shall govern. If

1 the chief place of business is located in a jurisdiction which  
2 does not provide for perfection of the security interest by  
3 filing or recording in that jurisdiction, then the security  
4 interest may be perfected by filing in this state. For the  
5 purpose of determining the validity and perfection of a security  
6 interest in an airplane, the chief place of business of a debtor  
7 who is a foreign air carrier under the Federal Aviation Act of  
8 1958, as amended, is the designated office of the agent upon  
9 whom service of process may be made on behalf of the debtor.

10 (3) If personal property other than that governed by  
11 subsections (1) and (2) is already subject to a security  
12 interest when it is brought into this state, the validity of the  
13 security interest in this state is to be determined by the law  
14 (including the conflict of laws rules) of the jurisdiction where  
15 the property was when the security interest attached. However,  
16 if the parties to the transaction understood at the time that  
17 the security interest attached that the property would be kept  
18 in this state and it was brought into this state within thirty  
19 days after the security interest attached for purposes other  
20 than transportation through this state, then the validity of the  
21 security interest in this state is to be determined by the law  
22 of this state. If the security interest was already perfected  
23 under the law of the jurisdiction where the property was when  
24 the security interest attached and before being brought into  
25 this state, the security interest continues perfected in this  
26 state for four months and also thereafter if within the four  
27 month period it is perfected in this state. The security  
28 interest may also be perfected in this state after the  
29 expiration of the four month period; in such case perfection  
30 dates from the time of perfection in this state. If the security

1 interest was not perfected under the law of the jurisdiction  
2 where the property was when the security interest attached and  
3 before being brought into this state, it may be perfected in  
4 this state; in such case perfection dates from the time of  
5 perfection in this state.

6 (4) Notwithstanding subsections (2) and (3), if personal  
7 property is covered by a certificate of title issued under a  
8 statute of this state or any other jurisdiction which requires  
9 indication on a certificate of title of any security interest in  
10 the property as a condition of perfection, then the perfection  
11 is governed by the law of the jurisdiction which issued the  
12 certificate.

13 (5) Notwithstanding subsection (1) and Section 9-302, if the  
14 office where the assignor of accounts or contract rights keeps  
15 his records concerning them is not located in a jurisdiction  
16 which is a part of the United States, its territories or  
17 possessions, and the accounts or contract rights are within the  
18 jurisdiction of this state or the transaction which creates the  
19 security interest otherwise bears an appropriate relation to  
20 this state, this Article governs the validity and perfection of  
21 the security interest and the security interest may only be  
22 perfected by notification to the account debtor.] Perfection of  
23 Security Interests in Multiple State Transactions.--(1)  
24 Documents, instruments and ordinary goods.

25 (a) This subsection applies to documents and instruments and  
26 to goods other than those covered by a certificate of title  
27 described in subsection (2), mobile goods described in  
28 subsection (3), and minerals described in subsection (5).

29 (b) Except as otherwise provided in this subsection,  
30 perfection and the effect of perfection or nonperfection of a



security interest in collateral are governed by the law of the jurisdiction where the collateral is when the last event occurs on which is based the assertion that the security interest is perfected or unperfected.

(c) If the parties to a transaction creating a purchase money security interest in goods in one jurisdiction understand at the time that the security interest attaches that the goods will be kept in another jurisdiction, then the law of the other jurisdiction governs the perfection and the effect of perfection or nonperfection of the security interest from the time it attaches until thirty days after the debtor receives possession of the goods and thereafter if the goods are taken to the other jurisdiction before the end of the thirty-day period.

(d) When collateral is brought into and kept in this state while subject to a security interest perfected under the law of the jurisdiction from which the collateral was removed, the security interest remains perfected, but if action is required by Part 3 of this Article to perfect the security interest,

(i) if the action is not taken before the expiration of the period of perfection in the other jurisdiction or the end of four months after the collateral is brought into this State, whichever period first expires, the security interest becomes unperfected at the end of that period and is thereafter deemed to have been unperfected as against a person who became a purchaser after removal;

(ii) if the action is taken before the expiration of the period specified in subparagraph (i), the security interest continues perfected thereafter;

(iii) for the purpose of priority over a buyer of consumer goods (subsection (2) of section 9-307), the period of the

effectiveness of a filing in the jurisdiction from which the collateral is removed is governed by the rules with respect to perfection in subparagraphs (i) and (ii).

(2) Certificate of Title.

(a) This subsection applies to goods covered by a certificate of title issued under a statute of this State or of another jurisdiction under the law of which indication of a security interest on the certificate is required as a condition of perfection.

(b) Except as otherwise provided in this subsection, perfection and the effect of perfection or nonperfection of the security interest are governed by the law (including the conflict of laws rules) of the jurisdiction issuing the certificate until four months after the goods are removed from that jurisdiction and thereafter until the goods are registered in another jurisdiction, but in any event not beyond surrender of the certificate. After the expiration of that period, the goods are not covered by the certificate of title within the meaning of this section.

(c) Except with respect to the rights of a buyer described in the next paragraph, a security interest, perfected in another jurisdiction otherwise than by notation on a certificate of title, in goods brought into this State and thereafter covered by a certificate of title issued by this State is subject to the rules stated in paragraph (d) of subsection (1).

(d) If goods are brought into this State while a security interest therein is perfected in any manner under the law of the jurisdiction from which the goods are removed and a certificate of title is issued by this State and the certificate does not show that the goods are subject to the security interest or that

1 they may be subject to security interests not shown on the  
2 certificate, the security interest is subordinate to the rights  
3 of a buyer of the goods who is not in the business of selling  
4 goods of that kind to the extent that he gives value and  
5 receives delivery of the goods after issuance of the certificate  
6 and without knowledge of the security interest.

7 (3) Accounts, General Intangibles and Mobile Goods.

8 (a) This subsection applies to accounts (other than an  
9 account described in subsection (5) on minerals) and general  
10 intangibles and to goods which are mobile and which are of a  
11 type normally used in more than one jurisdiction, such as motor  
12 vehicles, trailers, rolling stock, airplanes, shipping  
13 containers, road building and construction machinery and  
14 commercial harvesting machinery and the like, if the goods are  
15 equipment or are inventory leased or held for lease by the  
16 debtor to others, and are not covered by a certificate of title  
17 described in subsection (2).

18 (b) The law (including the conflict of laws rules) of the  
19 jurisdiction in which the debtor is located governs the  
20 perfection and the effect of perfection or nonperfection of the  
21 security interest.

22 (c) If, however, the debtor is located in a jurisdiction  
23 which is not a part of the United States, and which does not  
24 provide for perfection of the security interest by filing or  
25 recording in that jurisdiction, the law of the jurisdiction in  
26 the United States in which the debtor has its major executive  
27 office in the United States governs the perfection and the  
28 effect of perfection or nonperfection of the security interest  
29 through filing. In the alternative, if the debtor is located in  
30 a jurisdiction which is not a part of the United States or

Canada and the collateral is accounts or general intangibles for money due or to become due, the security interest may be perfected by notification to the account debtor. As used in this paragraph, "United States" includes its territories and possessions and the Commonwealth of Puerto Rico.

(d) A debtor shall be deemed located at his place of business if he has one, at his chief executive office if he has more than one place of business, otherwise at his residence. If, however, the debtor is a foreign air carrier under the Federal Aviation Act of 1958, as amended, it shall be deemed located at the designated office of the agent upon whom service of process may be made on behalf of the foreign air carrier.

(e) A security interest perfected under the law of the jurisdiction of the location of the debtor is perfected until the expiration of four months after a change of the debtor's location to another jurisdiction, or until perfection would have ceased by the law of the first jurisdiction, whichever period first expires. Unless perfected in the new jurisdiction before the end of that period, it becomes unperfected thereafter and is deemed to have been unperfected as against a person who became a purchaser after the change.

(4) Chattel Paper. The rules stated for goods in subsection (1) apply to a possessory security interest in chattel paper. The rules stated for accounts in subsection (3) apply to a nonpossessory security interest in chattel paper, but the security interest may not be perfected by notification to the account debtor.

(5) Minerals. Perfection and the effect of perfection or nonperfection of a security interest which is created by a debtor who has an interest in minerals or the like (including

1 oil and gas) before extraction and which attaches thereto as  
2 extracted, or which attaches to an account resulting from the  
3 sale thereof at the wellhead or minehead are governed by the law  
4 (including the conflict of laws rules) of the jurisdiction  
5 wherein the wellhead or minehead is located.

6 Section 3. Sections 9-104, 9-105 and 9-106 of the act,  
7 reenacted and amended October 2, 1959 (P.L.1023, No.426), are  
8 amended to read:

9 Section 9-104. Transactions Excluded From Article.--This  
10 Article does not apply

11 (a) to a security interest subject to any statute of the  
12 United States [such as the Ship Mortgage Act, 1920,] to the  
13 extent that such statute governs the rights of parties to and  
14 third parties affected by transactions in particular types of  
15 property; or

16 (b) to a landlord's lien; or

17 (c) to a lien given by statute or other rule of law for  
18 services or materials except as provided in Section 9-310 on  
19 priority of such liens; or

20 (d) to a transfer of a claim for wages, salary or other  
21 compensation of an employee; or

22 (e) to [an equipment trust covering railway rolling stock;]  
23 a transfer by a government or governmental subdivision or  
24 agency; or

25 (f) to a sale of accounts [, contract rights] or chattel  
26 paper as part of a sale of the business out of which they arose,  
27 or an assignment of accounts [, contract rights] or chattel  
28 paper which is for the purpose of collection only, or a transfer  
29 of a [contract] right to payment under a contract to an assignee  
30 who is also to do the performance under the contract or a

transfer of a single account to an assignee in whole or partial satisfaction of a preexisting indebtedness; or

(g) to a transfer of an interest or claim in or under any policy of insurance , except as provided with respect to proceeds (Section 9-306) and priorities in proceeds (Section 9-312); or

(h) to a right represented by a judgment (other than a judgment taken on a right to payment which was collateral); or

(i) to any right of set-off; or

(j) except to the extent that provision is made for fixtures in section 9-313, to the creation or transfer of an interest in or lien on real estate, including a lease or rents thereunder; or

(k) to a transfer in whole or in part of [any of the following:] any claim arising out of tort [; any deposit, savings, passbook or like account maintained with a bank, savings and loan association, credit union or like organization]; or

(l) to a transfer of an interest in any deposit account (subsection (1) of Section 9-105), except as provided with respect to proceeds (Section 9-306) and priorities in proceeds (Section 9-312).

Section 9-105. Definitions and Index of Definitions.--(1) In this Article unless the context otherwise requires:

(a) "Account debtor" means the person who is obligated on an account, chattel paper [, contract right] or general intangible;

(b) "Chattel paper" means a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific goods , but a charter or other contract involving the use or hire of a vessel is not chattel paper. When

1 a transaction is evidenced both by such a security agreement or  
2 a lease and by an instrument or a series of instruments, the  
3 group of writings taken together constitutes chattel paper;

4 (c) "Collateral" means the property subject to a security  
5 interest, and includes accounts[, contract rights] and chattel  
6 paper which have been sold;

7 (d) "Debtor" means the person who owes payment or other  
8 performance of the obligation secured, whether or not he owns or  
9 has rights in the collateral, and includes the seller of  
10 accounts[, contract rights] or chattel paper. Where the debtor  
11 and the owner of the collateral are not the same person, the  
12 term "debtor" means the owner of the collateral in any provision  
13 of the Article dealing with the collateral, the obligor in any  
14 provision dealing with the obligation, and may include both  
15 where the context so requires;

16 (e) "Deposit account" means a demand, time, savings,  
17 passbook or like account maintained with a bank, savings and  
18 loan association, credit union or like organization, other than  
19 an account evidenced by a certificate of deposit;

20 [(e)] (f) "Document" means document of title as defined in  
21 the general definitions of Article 1 (Section 1-201), and a  
22 receipt of the kind described in subsection (2) of section 7-  
23 201;

24 (g) "Encumbrance" includes real estate mortgages and other  
25 liens on real estate and all other rights in real estate that  
26 are not ownership interests;

27 [(f)] (h) "Goods" includes all things which are movable at  
28 the time the security interest attaches or which are fixtures  
29 (Section 9-313), but does not include money, documents,  
30 instruments, accounts, chattel paper, general intangibles,

1 [contract rights and other things in action,] or minerals or the  
2 like (including oil and gas) before extraction. "Goods" also  
3 includes standing timber which is to be cut and removed under a  
4 conveyance or contract for sale, the unborn young of animals,  
5 and growing crops;

6 [(g)] (i) "Instrument" means a negotiable instrument  
7 (defined in Section 3-104), or a security (defined in section 8-  
8 102) or any other writing which evidences a right to the payment  
9 of money and is not itself a security agreement or lease and is  
10 of a type which is in ordinary course of business transferred by  
11 delivery with any necessary indorsement or assignment;

12 (j) "Mortgage" means a consensual interest created by a real  
13 estate mortgage, a trust deed on real estate, or the like;

14 (k) An advance is made "pursuant to commitment" if the  
15 secured party has bound himself to make it, whether or not a  
16 subsequent event of default or other event not within his  
17 control has relieved or may relieve him from his obligation;

18 [(h)] (l) "Security agreement" means an agreement which  
19 creates or provides for a security interest;

20 [(i)] (m) "Secured party" means a lender, seller or other  
21 person in whose favor there is a security interest, including a  
22 person to whom accounts [, contract rights] or chattel paper  
23 have been sold. When the holders of obligations issued under an  
24 indenture of trust, equipment trust agreement or the like are  
25 represented by a trustee or other person, the representative is  
26 the secured party;

27 (n) "Transmitting utility" means any person primarily  
28 engaged in the railroad, street railway or trolley bus business,  
29 the electric or electronics communications transmission  
30 business, the transmission of goods by pipeline, or the



transmission or the production and transmission of electricity,  
steam, gas or water, or the provision of sewer service.

(2) Other definitions applying to this Article and the  
sections in which they appear are:

"Account." Section 9-106.

"Attach." Section 9-203.

"Construction mortgage." Section 9-313(1).

"Consumer goods." Section 9-109(1).

["Contract right." Section 9-106.]

"Equipment." Section 9-109(2).

"Farm products." Section 9-109(3).

"Fixture." Section 9-313.

"Fixture filing." Section 9-313.

"General intangibles." Section 9-106.

"Inventory." Section 9-109(4).

"Lien creditor." Section 9-301(3).

"Proceeds." Section 9-306(1).

"Purchase money security interest." Section 9-107.

"United States." Section 9-103.

(3) The following definitions in other Articles apply to  
this Article:

"Check." Section 3-104.

"Contract for sale." Section 2-106.

"Holder in due course." Section 3-302.

"Note." Section 3-104.

"Sale." Section 2-106.

(4) In addition Article 1 contains general definitions and  
principles of construction and interpretation applicable  
throughout this Article.

Section 9-106. Definitions: "Account"; ["Contract Right";]

1 "General Intangibles".--"Account" means any right to payment for  
2 goods sold or leased or for services rendered which is not  
3 evidenced by an instrument or chattel paper, ["Contract right"  
4 means any right to payment under a contract not yet earned by  
5 performance and not evidenced by an instrument or chattel  
6 paper.] whether or not it has been earned by performance.

7 "General intangibles" means any personal property (including  
8 things in action) other than goods, accounts, [contract rights,]  
9 chattel paper, documents, [and] instruments, and money. All  
10 rights to payment earned or unearned under a charter or other  
11 contract involving the use or hire of a vessel and all rights  
12 incident to the charter or contract are accounts.

13 Section 4. The act is amended by adding a section to read:

14 Section 9-114. Consignment.

15 (1) A person who delivers goods under a consignment which is  
16 not a security interest and who would be required to file under  
17 this Article by paragraph (3)(c) of Section 2-326 has priority  
18 over a secured party who is or becomes a creditor of the  
19 consignee and who would have a perfected security interest in  
20 the goods if they were the property of the consignee, and also  
21 has priority with respect to identifiable cash proceeds received  
22 on or before delivery of the goods to a buyer, if

23 (a) the consignor complies with the filing provision of the  
24 Article on Sales with respect to consignments (paragraph (3)(c)  
25 of Section 2-326) before the consignee receives possession of  
26 the goods; and

27 (b) the consignor gives notification in writing to the  
28 holder of the security interest if the holder has filed a  
29 financing statement covering the same types of goods before the  
30 date of the filing made by the consignor; and

1     (c) the holder of the security interest receives the  
2 notification within five years before the consignee receives  
3 possession of the goods; and

4     (d) the notification states that the consignor expects to  
5 deliver goods on consignment to the consignee, describing the  
6 goods by item or type.

7     (2) In the case of a consignment which is not a security  
8 interest and in which the requirements of the preceding  
9 subsection have not been met, a person who delivers goods to  
10 another is subordinate to a person who would have a perfected  
11 security interest in the goods if they were the property of the  
12 debtor.

13     Section 5. Sections 9-203, 9-204, 9-205, 9-301, 9-302, 9-  
14 304, 9-305, 9-306, 9-307, 9-308, 9-312 and 9-313 of the act,  
15 reenacted and amended October 2, 1959 (P.L.1023, No.426), are  
16 amended to read:

17     Section 9-203. Attachment and Enforceability of Security  
18 Interest; Proceeds, Formal Requisites.--(1) Subject to the  
19 provisions of Section 4-208 on the security interest of a  
20 collecting bank and Section 9-113 on a security interest arising  
21 under the Article on Sales, a security interest is not  
22 enforceable against the debtor or third parties with respect to  
23 the collateral and does not attach unless

24     (a) the collateral is in the possession of the secured party  
25 [; or] pursuant to agreement, or the debtor has signed a  
26 security agreement which contains a description of the  
27 collateral and in addition, when the security interest covers  
28 crops growing or to be grown or timber to be cut, a description  
29 of the land concerned; and

30     (b) [the debtor has signed a security agreement which

1 contains a description of the collateral and in addition, when  
2 the security interest covers crops or oil, gas or minerals to be  
3 extracted or timber to be cut, a description of the land  
4 concerned. In describing collateral, the word "proceeds" is  
5 sufficient without further description to cover proceeds of any  
6 character.] value has been given; and

7 (c) the debtor has rights in the collateral.

8 (2) A security interest attaches when it becomes enforceable  
9 against the debtor with respect to the collateral. Attachment  
10 occurs as soon as all of the events specified in subsection (1)  
11 have taken place unless explicit agreement postpones the time of  
12 attaching.

13 (3) Unless otherwise agreed a security agreement gives the  
14 secured party the rights to proceeds provided by Section 9-306.

15 ~~[(2)]~~ (4) A transaction, although subject to this Article,  
16 is also subject to the act [, approved the twenty-eighth day of  
17 June, one thousand nine hundred forty-seven (Pamphlet Laws  
18 1110)] of June 28, 1947 (P.L.1110, No.476), known as the "Motor  
19 Vehicle Sales Finance Act," the act [approved the eighth day of  
20 April, one thousand nine hundred thirty-seven (Pamphlet Laws  
21 262)] of April 8, 1937 (P.L.262, No.66), known as "Consumer  
22 Discount Company Act," [and] the act [approved the seventeenth  
23 day of June, one thousand nine hundred fifteen (Pamphlet Laws  
24 1012)] of June 17, 1915 (P.L.1012, No.432), entitled "An act  
25 regulating the business of loaning money in sums of three  
26 hundred (\$300) dollars or less, either with or without security,  
27 to individuals pressed by lack of funds to meet immediate  
28 necessities; fixing the rates of interest and charges therefor;  
29 requiring the licensing of lenders; and prescribing penalties  
30 for the violation of this act," in so far as any such statute by

1 its terms applies to the transaction, the act of October 28,  
2 1966 (1st. Sp.Sess P.L.55, No.1), known as the "Goods and  
3 Services Installment Sales Act," and the act of August 14, 1963  
4 (P.L.1082, No.464), known as the "Home Improvement Finance Act,"  
5 and in the case of conflict between the provisions of this  
6 Article and any such statute, the provisions of such statute  
7 control. Failure to comply with any applicable statute has only  
8 the effect which is specified therein.

9 Section 9-204. [When Security Interest Attaches;] After-  
10 Acquired Property; Future Advances.--[(1) A security interest  
11 cannot attach until there is agreement (subsection (3) of  
12 Section 1-201) that it attach and value is given and the debtor  
13 has rights in the collateral. It attaches as soon as all of the  
14 events in the preceding sentence have taken place unless  
15 explicit agreement postpones the time of attaching.

16 (2) For the purposes of this section the debtor has no  
17 rights

18 (a) in crops until they are planted or otherwise become  
19 growing crops, in the young of livestock until they are  
20 conceived;

21 (b) in fish until caught, in oil, gas or minerals until they  
22 are extracted, in timber until it is cut;

23 (c) in a contract right until the contract has been made;

24 (d) in an account until it comes into existence.

25 (3)] (1) Except as provided in subsection [(4)] (2), a  
26 security agreement may provide that [collateral, whenever  
27 acquired, shall secure] any or all obligations covered by the  
28 security agreement are to be secured by after acquired  
29 collateral.

30 [(4)] (2) No security interest attaches under an after

1 acquired property clause

2 [(a) to crops which become such more than one year after the  
3 security agreement is executed except that a security interest  
4 in crops which is given in conjunction with a lease or a land  
5 purchase or improvement transaction evidenced by a contract,  
6 mortgage or deed of trust may if so agreed attach to crops to be  
7 grown on the land concerned during the period of such real  
8 estate transaction;

9 (b)] to consumer goods other than accessions (Section 9-314)  
10 when given as additional security unless the debtor acquires  
11 rights in them within ten days after the secured party gives  
12 value.

13 [(5)] (3) Obligations covered by a security agreement may  
14 include future advances or other value whether or not the  
15 advances or value are given pursuant to commitment (Subsection  
16 (1) of Section 9-105).

17 Section 9-205. Use or Disposition of Collateral Without  
18 Accounting Permissible.--A security interest is not invalid or  
19 fraudulent against creditors by reason of liberty in the debtor  
20 to use, commingle or dispose of all or part of the collateral  
21 (including returned or repossessed goods) or to collect or  
22 compromise accounts, [contract rights] or chattel paper, or to  
23 accept the return of goods or make repossessions, or to use,  
24 commingle or dispose of proceeds, or by reason of the failure of  
25 the secured party to require the debtor to account for proceeds  
26 or replace collateral. This section does not relax the  
27 requirements of possession where perfection of a security  
28 interest depends upon possession of the collateral by the  
29 secured party or by a bailee.

30 Section 9-301. Persons Who Take Priority Over Unperfected

1 Security Interests; Right of "Lien Creditor."--(1) Except as  
2 otherwise provided in subsection (2) an unperfected security  
3 interest is subordinate to the rights of

4 (a) persons entitled to priority under Section 9-312;

5 (b) a person who becomes a lien creditor [without knowledge  
6 of the security interest and] before [it] the security interest  
7 is perfected;

8 (c) in the case of goods, instruments, documents, and  
9 chattel paper, a person who is not a secured party and who is a  
10 transferee in bulk or other buyer not in ordinary course of  
11 business or is a buyer of farm products in ordinary course of  
12 business to the extent that he gives value and receives delivery  
13 of the collateral without knowledge of the security interest and  
14 before it is perfected;

15 (d) in the case of accounts [, contract rights,] and general  
16 intangibles, a person who is not a secured party and who is a  
17 transferee to the extent that he gives value without knowledge  
18 of the security interest and before it is perfected.

19 (2) If the secured party files with respect to a purchase-  
20 money security interest before or within ten days after the  
21 debtor receives possession of the collateral [comes into  
22 possession of the debtor], he takes priority over the rights of  
23 a transferee in bulk or of a lien creditor which arise between  
24 the time the security interest attaches and the time of filing.

25 (3) A "lien creditor" means a creditor who has acquired a  
26 lien on the property involved by attachment, levy or the like  
27 and includes an assignee for benefit of creditors from the time  
28 of assignment, and a trustee in bankruptcy from the date of the  
29 filing of the petition or a receiver in equity from the time of  
30 appointment. [Unless all the creditors represented had knowledge

1 of the security interest such a representative of creditors is a  
2 lien creditor without knowledge even though he personally has  
3 knowledge of the security interest.]

4 (4) A person who becomes a lien creditor while a security  
5 interest is perfected takes subject to the security interest  
6 only to the extent that it secures advances made before he  
7 becomes a lien creditor or within forty-five days thereafter or  
8 made without knowledge of the lien or pursuant to a commitment  
9 entered into without knowledge of the lien.

10 Section 9-302. When Filing Is Required to Perfect Security  
11 Interest; Security Interests to Which Filing Provisions of This  
12 Article Do Not Apply.--(1) A financing statement must be filed  
13 to perfect all security interests except the following:

14 (a) a security interest in collateral in possession of the  
15 secured party under Section 9-305;

16 (b) a security interest temporarily perfected in instruments  
17 or documents without delivery under Section 9-304 or in proceeds  
18 for a ten day period under Section 9-306;

19 (c) [a purchase money security interest in farm equipment  
20 having a purchase price not in excess of \$2500; but filing is  
21 required for a fixture under Section 9-313 or for a motor  
22 vehicle required to be licensed] a security interest created by  
23 an assignment of a beneficial interest in a trust or a  
24 decedent's estate;

25 (d) A purchase money security interest in consumer goods;  
26 but filing is required [for a fixture under Section 9-313 or]  
27 for a motor vehicle required to be [licensed] registered; and  
28 fixture filing is required for priority over conflicting  
29 interests in fixtures to the extent provided in Section 9-313;

30 (e) an assignment of accounts [or contract rights] which



1 does not alone or in conjunction with other assignments to the  
2 same assignee transfer a significant part of the outstanding  
3 accounts [or contract rights] of the assignor;

4 (f) a security interest of a collecting bank (Section 4-208)  
5 or arising under the Article on Sales (see Section 9-113) or  
6 covered in subsection (3) of this section;

7 (g) an assignment for the benefit of all the creditors of  
8 the transferor, and subsequent transfers by the assignee  
9 thereunder.

10 (2) If a secured party assigns a perfected security  
11 interest, no filing under this Article is required in order to  
12 continue the perfected status of the security interest against  
13 creditors of and transferees from the original debtor.

14 [(3) The filing provisions of this Article do not apply to a  
15 security interest in property subject to a statute.

16 (a) of the United States which provides for a national  
17 registration or filing of all security interests in such  
18 property; or

19 (b) of this state which provides for central filing of  
20 security interests in such property, or in a motor vehicle which  
21 is not inventory held for sale for which a certificate of title  
22 is required under the statutes of this state if a notation of  
23 such a security interest can be indicated by a public official  
24 on a certificate or a duplicate thereof.

25 (4) A security interest in property covered by a statute  
26 described in subsection (3) can be perfected only by  
27 registration or filing under that statute or by indication of  
28 the security interest on a certificate of title or a duplicate  
29 thereof by a public official.]

30 (3) The filing of a financing statement otherwise required

by this Article is not necessary or effective to perfect a security interest in property subject to

(a) a statute or treaty of the United States which provides for a national or international registration or a national or international certificate of title or which specifies a place of filing different from that specified in this Article for filing of the security interest; or

(b) the act of April 29, 1959 (P.L.58, No.32), known as "The Vehicle Code," but during any period in which collateral is inventory held for sale by a person who is in the business of selling goods of that kind, the filing provisions of this Article (Part 4) apply to a security interest in that collateral created by him as debtor; or

(c) a certificate of title statute of another jurisdiction under the law of which indication of a security interest on the certificate is required as a condition of perfection (subsection (2) of Section 9-103).

(4) Compliance with a statute or treaty described in subsection (3) is equivalent to the filing of a financing statement under this Article, and a security interest in property subject to the statute or treaty can be perfected only by compliance therewith except as provided in Section 9-103 on multiple state transactions. Duration and renewal of perfection of a security interest perfected by compliance with the statute or treaty are governed by the provisions of the statute or treaty; in other respects the security interest is subject to this Article.

Section 9-304. Perfection of Security Interest in Instruments, Documents and Goods Covered by Documents; Perfection by Permissive Filing; Temporary Perfection Without

1 Filing or Transfer of Possession.--(1) A security interest in  
2 chattel paper or negotiable documents may be perfected by  
3 filing. A security interest in money or instruments (other than  
4 instruments which constitute part of chattel paper) can be  
5 perfected only by the secured party's taking possession, except  
6 as provided in subsections (4) and (5) of this section and  
7 subsections (2) and (3) of Section 9-306 on proceeds.

8 (2) During the period that goods are in the possession of  
9 the issuer of a negotiable document therefor, a security  
10 interest in the goods is perfected by perfecting a security  
11 interest in the document, and any security interest in the goods  
12 otherwise perfected during such period is subject thereto.

13 (3) A security interest in goods in the possession of a  
14 bailee other than one who has issued a negotiable document  
15 therefor is perfected by issuance of a document in the name of  
16 the secured party or by the bailee's receipt of notification of  
17 the secured party's interest or by filing as to the goods.

18 (4) A security interest in instruments or negotiable  
19 documents is perfected without filing or the taking of  
20 possession for a period of twenty-one days from the time it  
21 attaches to the extent that it arises for new value given under  
22 a written security agreement.

23 (5) A security interest remains perfected for a period of  
24 twenty-one days without filing where a secured party having a  
25 perfected security interest in an instrument, a negotiable  
26 document or goods in possession of a bailee other than one who  
27 has issued a negotiable document therefor

28 (a) makes available to the debtor the goods or documents  
29 representing the goods for the purpose of ultimate sale or  
30 exchange or for the purpose of loading, unloading, storing,

1 shipping, transshipping, manufacturing, processing or otherwise  
2 dealing with them in a manner preliminary to their sale or  
3 exchange but priority between conflicting security interests in  
4 the goods is subject to subsection (3) of Section 9-312; or

5 (b) delivers the instrument to the debtor for the purpose of  
6 ultimate sale or exchange or of presentation, collection,  
7 renewal or registration of transfer.

8 (6) After the twenty-one day period in subsections (4) and  
9 (5) perfection depends upon compliance with applicable  
10 provisions of this Article.

11 Section 9-305. When Possession by Secured Party Perfects  
12 Security Interest Without Filing.--A security interest in  
13 letters of credit and advices of credit (subsection (2) (a) of  
14 Section 5-116), goods, instruments, money, negotiable documents  
15 or chattel paper may be perfected by the secured party's taking  
16 possession of the collateral. If such collateral other than  
17 goods covered by a negotiable document is held by a bailee, the  
18 secured party is deemed to have possession from the time the  
19 bailee receives notification of the secured party's interest. A  
20 security interest is perfected by possession from the time  
21 possession is taken without relation back and continues only so  
22 long as possession is retained, unless otherwise specified in  
23 this Article. The security interest may be otherwise perfected  
24 as provided in this Article before or after the period of  
25 possession by the secured party.

26 Section 9-306. "Proceeds"; Secured Party's Rights on  
27 Disposition of Collateral.--(1) ["Proceeds" includes whatever is  
28 received when collateral or proceeds is sold, exchanged,  
29 collected or otherwise disposed of. The term also includes the  
30 account arising when the right to payment is earned under a

1 contract right.] "Proceeds" includes whatever is received upon  
2 the sale, exchange, collection or other disposition of  
3 collateral or proceeds. Insurance payable by reason of loss or  
4 damage to the collateral is proceeds, except to the extent that  
5 it is payable to a person other than a party to the security  
6 agreement. Money, checks, deposit accounts, and the like are  
7 "cash proceeds." All other proceeds are "non-cash proceeds."

8 (2) Except where this Article otherwise provides, a security  
9 interest continues in collateral notwithstanding sale, exchange  
10 or other disposition thereof [by the debtor] unless [his action  
11 was] the disposition was authorized by the secured party in the  
12 security agreement or otherwise and also continues in any  
13 identifiable proceeds including collections received by the  
14 debtor.

15 (3) The security interest in proceeds is a continuously  
16 perfected security interest if the interest in the original  
17 collateral was perfected but it ceases to be a perfected  
18 security interest and becomes unperfected ten days after receipt  
19 of the proceeds by the debtor unless

20 [(a) a filed financing statement covering the original  
21 collateral also covers proceeds; or

22 (b)] (a) a filed financing statement covers the original  
23 collateral and the proceeds are collateral in which a security  
24 interest may be perfected by filing in the office or offices  
25 where the financing statement has been filed and, if the  
26 proceeds are acquired with cash proceeds, the description of  
27 collateral in the financing statement indicates the types of  
28 property constituting the proceeds; or

29 (b) a filed financing statement covers the original  
30 collateral and the proceeds are identifiable cash proceeds; or

1       (c) the security interest in the proceeds is perfected  
2 before the expiration of the ten day period.  
3 Except as provided in this section, a security interest in  
4 proceeds can be perfected only by the methods or under the  
5 circumstances permitted in this article for original collateral  
6 of the same type.

7       (4) In the event of insolvency proceedings instituted by or  
8 against a debtor, a secured party with a perfected security  
9 interest in proceeds has a perfected security interest only in  
10 the following proceeds:

11       (a) in identifiable non-cash proceeds and in separate  
12 deposit accounts containing only proceeds;

13       (b) in identifiable cash proceeds in the form of money which  
14 is [not] neither commingled with other money [or] nor deposited  
15 in a [bank] deposit account prior to the insolvency proceedings;

16       (c) in identifiable cash proceeds in the form of checks and  
17 the like which are not deposited in a [bank] deposit account  
18 prior to the insolvency proceedings; and

19       (d) in all cash and [bank] deposit accounts of the debtor  
20 [if other cash] in which proceeds have been commingled [or  
21 deposited in a bank account,] with other funds but the perfected  
22 security interest under this paragraph (d) is

23       (i) subject to any right of set-off; and

24       (ii) limited to an amount not greater than the amount of any  
25 cash proceeds received by the debtor within ten days before the  
26 institution of the insolvency proceedings [and commingled or  
27 deposited in a bank account prior to the insolvency proceedings  
28 less the amount of cash proceeds received by the debtor and paid  
29 over to the secured party during the ten day period] less the  
30 sum of (I) the payments to the secured party on account of cash

1 proceeds received by the debtor during such period and (II) the  
2 cash proceeds received by the debtor during such period to which  
3 the secured party is entitled under paragraphs (a) through (c)  
4 of this subsection (4).

5 (5) If a sale of goods results in an account or chattel  
6 paper which is transferred by the seller to a secured party, and  
7 if the goods are returned to or are repossessed by the seller or  
8 the secured party, the following rules determine priorities:

9 (a) If the goods were collateral at the time of sale for an  
10 indebtedness of the seller which is still unpaid, the original  
11 security interest attaches again to the goods and continues as a  
12 perfected security interest if it was perfected at the time when  
13 the goods were sold. If the security interest was originally  
14 perfected by a filing which is still effective, nothing further  
15 is required to continue the perfected status; in any other case,  
16 the secured party must take possession of the returned or  
17 repossessed goods or must file.

18 (b) An unpaid transferee of the chattel paper has a security  
19 interest in the goods against the transferor. Such security  
20 interest is prior to a security interest asserted under  
21 paragraph (a) to the extent that the transferee of the chattel  
22 paper was entitled to priority under Section 9-308.

23 (c) An unpaid transferee of the account has a security  
24 interest in the goods against the transferor. Such security  
25 interest is subordinate to a security interest asserted under  
26 paragraph (a).

27 (d) A security interest of an unpaid transferee asserted  
28 under paragraph (b) or (c) must be perfected for protection  
29 against creditors of the transferor and purchasers of the  
30 returned or repossessed goods.

1       Section 9-307.   Protection of Buyers of Goods.--(1) A buyer  
2   in ordinary course of business (subsection (9) of Section 1-201)  
3   other than a person buying farm products from a person engaged  
4   in farming operations takes free of a security interest created  
5   by his seller even though the security interest is perfected and  
6   even though the buyer knows of its existence.

7       (2)   In the case of consumer goods [and in the case of farm  
8   equipment having an original purchase price not in excess of  
9   \$2500 (other than fixtures, see Section 9-313)], a buyer takes  
10   free of a security interest even though perfected if he buys  
11   without knowledge of the security interest, for value and for  
12   his own personal, family or household purposes [or his own  
13   farming operations] unless prior to the purchase the secured  
14   party has filed a financing statement covering such goods.

15       (3)   A buyer other than a buyer in ordinary course of  
16   business (subsection (1) of this section) takes free of a  
17   security interest to the extent that it secures future advances  
18   made after the secured party acquires knowledge of the purchase,  
19   or more than forty-five days after the purchase, whichever first  
20   occurs, unless made pursuant to a commitment entered into  
21   without knowledge of the purchase and before the expiration of  
22   the forty-five day period.

23       Section 9-308.   Purchase of Chattel Paper and [Non-  
24   Negotiable] Instruments.--[A purchaser of chattel paper or a  
25   non-negotiable instrument who gives new value and takes  
26   possession of it in the ordinary course of his business and  
27   without knowledge that the specific paper or instrument is  
28   subject to a security interest has priority over a security  
29   interest which is perfected under Section 9-304 (permissive  
30   filing and temporary perfection). A purchaser of chattel paper



1 who gives new value and takes possession of it in the ordinary  
2 course of his business has priority over a security interest in  
3 chattel paper which is claimed merely as proceeds of inventory  
4 subject to a security interest (Section 9-306), even though he  
5 knows that the specific paper is subject to the security  
6 interest.] A purchaser of chattel paper or an instrument who  
7 gives new value and takes possession of it in the ordinary  
8 course of his business has priority over a security interest in  
9 the chattel paper or instrument

10 (a) which is perfected under Section 9-304 (permissive  
11 filing and temporary perfection) or under Section 9-306  
12 (perfection as to proceeds) if he acts without knowledge that  
13 the specific paper or instrument is subject to a security  
14 interest; or

15 (b) which is claimed merely as proceeds of inventory subject  
16 to a security interest (Section 9-306) even though he knows that  
17 the specific paper or instrument is subject to the security  
18 interest.

19 Section 9-312. Priorities Among Conflicting Security  
20 Interests in the Same Collateral.--(1) The rules of priority  
21 stated [in the following sections shall govern where applicable:  
22 Section 4-208 with respect to the security interest of  
23 collecting banks in items being collected, accompanying  
24 documents and proceeds; Section 9-301 on certain priorities;  
25 Section 9-304 on goods covered by documents; Section 9-306 on  
26 proceeds and repossessions; Section 9-307 on buyers of goods;  
27 Section 9-308 on possessory against non-possessory interests in  
28 chattel paper or non-negotiable instruments; Section 9-309 on  
29 security interests in negotiable instruments, documents or  
30 securities; Section 9-310 on priorities between perfected

1 security interests and liens by operation of law; Section 9-313  
2 on security interests in fixtures as against interests in real  
3 estate; Section 9-314 on security interests in accessions as  
4 against interest in goods; Section 9-315 on conflicting security  
5 interests where goods lose their identity or become part of a  
6 product; and Section 9-316 on contractual subordination.] in  
7 other sections of this Part and in the following sections shall  
8 govern when applicable: Section 4-208 with respect to the  
9 security interests of collecting banks in items being collected,  
10 accompanying documents and proceeds; Section 9-103 on security  
11 interests related to other jurisdictions; Section 9-114 on  
12 consignments.

13 (2) A perfected security interest in crops for new value  
14 given to enable the debtor to produce the crops during the  
15 production season and given not more than three months before  
16 the crops become growing crops by planting or otherwise takes  
17 priority over an earlier perfected security interest to the  
18 extent that such earlier interest secures obligations due more  
19 than six months before the crops become growing crops by  
20 planting or otherwise, even though the person giving new value  
21 had knowledge of the earlier security interest.

22 (3) A perfected purchase money security interest in  
23 inventory [collateral] has priority over a conflicting security  
24 interest in the same [collateral] if

25 (a) the purchase money security interest is perfected at the  
26 time the debtor receives possession of the collateral; and

27 (b) any secured party whose security interest is known to  
28 the holder of the purchase money security interest or who, prior  
29 to the date of the filing made by the holder of the purchase  
30 money security interest, had filed a financing statement

1 covering the same items or type of inventory, has received  
2 notification of the purchase money security interest before the  
3 debtor receives possession of the collateral covered by the  
4 purchase money security interest; and

5 (c) such notification states that the person giving the  
6 notice has or expects to acquire a purchase money security  
7 interest in inventory of the debtor, describing such inventory  
8 by item or type.] inventory and also has priority in  
9 identifiable cash proceeds received on or before the delivery of  
10 the inventory to a buyer if

11 (a) the purchase money security interest is perfected at the  
12 time the debtor receives possession of the inventory; and

13 (b) the purchase money secured party gives notification in  
14 writing to the holder of the conflicting security interest if  
15 the holder had filed a financing statement covering the same  
16 types of inventory (i) before the date of the filing made by the  
17 purchase money secured party, or (ii) before the beginning of  
18 the twenty-one day period where the purchase money security  
19 interest is temporarily perfected without filing or possession  
20 (subsection (5) of Section 9-304); and

21 (c) the holder of the conflicting security interest receives  
22 the notification within five years before the debtor receives  
23 possession of the inventory; and

24 (d) the notification states that the person giving the  
25 notice has or expects to acquire a purchase money security  
26 interest in inventory of the debtor, describing such inventory  
27 by item or type.

28 (4) A purchase money security interest in collateral other  
29 than inventory has priority over a conflicting security interest  
30 in the same collateral or its proceeds if the purchase money

1 security interest is perfected at the time the debtor receives  
2 possession of the collateral or within ten days thereafter.

3 (5) In all cases not governed by other rules stated in this  
4 section (including cases of purchase money security interests  
5 which do not qualify for the special priorities set forth in  
6 subsections (3) and (4) of this section), priority between  
7 conflicting security interests in the same collateral shall be  
8 determined [as follows:

9 (a) in the order of filing if both are perfected by filing,  
10 regardless of which security interest attached first under  
11 Section 9-204 (1) and whether it attached before or after  
12 filing;

13 (b) in the order of perfection unless both are perfected by  
14 filing, regardless of which security interest attached first  
15 under Section 9-204 (1) and, in the case of a filed security  
16 interest, whether it attached before or after filing; and

17 (c) in the order of attachment under Section 9-204 (1) so  
18 long as neither is perfected.] according to the following rules:

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

25 (b) So long as conflicting security interests are  
26 unperfected, the first to attach has priority.

27 (6) [For the purpose of the priority rules of the  
28 immediately preceding subsection, a continuously perfected  
29 security interest shall be treated at all times as if perfected  
30 by filing if it was originally so perfected and it shall be

1 treated at all times as if perfected otherwise than by filing if  
2 it was originally perfected otherwise than by filing.]

3 For the purposes of subsection (5) a date of filing or  
4 perfection as to collateral is also a date of filing or  
5 perfection as to proceeds.

6 (7) If future advances are made while a security interest is  
7 perfected by filing or the taking of possession, the security  
8 interest has the same priority for the purposes of subsection  
9 (5) with respect to the future advances as it does with respect  
10 to the first advance. If a commitment is made before or while  
11 the security interest is so perfected, the security interest has  
12 the same priority with respect to advances made pursuant  
13 thereto. In other cases a perfected security interest has  
14 priority from the date the advance is made.

15 Section 9-313. Priority of Security Interests in Fixtures.--  
16 [(1) The rules of this section do not apply to goods  
17 incorporated into a structure in the manner of lumber, bricks,  
18 tile, cement, glass, metal work and the like and no security  
19 interest in them exists under this Article unless the structure  
20 remains personal property under applicable law. The law of this  
21 state other than this Act determines whether and when other  
22 goods become fixtures. This Act does not prevent creation of an  
23 encumbrance upon fixtures or real estate pursuant to the law  
24 applicable to real estate.

25 (2) A security interest which attaches to goods before they  
26 become fixtures takes priority as to the goods over the claims  
27 of all persons who have an interest in the real estate except as  
28 stated in subsection (4).

29 (3) A security interest which attaches to goods after they  
30 become fixtures is valid against all persons subsequently

1 acquiring interests in the real estate except as stated in  
2 subsection (4) but is invalid against any person with an  
3 interest in the real estate at the time the security interest  
4 attaches to the goods who has not in writing consented to the  
5 security interest or disclaimed an interest in the goods as  
6 fixtures.

7 (4) The security interests described in subsections (2) and  
8 (3) do not take priority over

9 (a) a subsequent purchaser for value of any interest in the  
10 real estate; or

11 (b) a creditor with a lien on the real estate subsequently  
12 obtained by judicial proceedings; or

13 (c) a creditor with a prior encumbrance of record on the  
14 real estate to the extent that he makes subsequent advances if  
15 the subsequent purchase is made, the lien by judicial  
16 proceedings is obtained, or the subsequent advance under the  
17 prior encumbrance is made or contracted for without knowledge of  
18 the security interest and before it is perfected. A purchaser of  
19 the real estate at a foreclosure sale other than an encumbrancer  
20 purchasing at his own foreclosure sale is a subsequent purchaser  
21 within this Section.]

22 (1) In this section and in the provisions of Part 4 of this  
23 Article referring to fixture filing, unless the context  
24 otherwise requires

25 (a) goods are "fixtures" when they become so related to  
26 particular real estate that an interest in them arises under  
27 real estate law

28 (b) a "fixture filing" is the filing in the office where a  
29 mortgage on the real estate would be filed or recorded of a  
30 financing statement covering goods which are or are to become

fixtures and conforming to the requirements of subsection (5) of  
Section 9-402

(c) a mortgage is a "construction mortgage" to the extent  
that it secures an obligation incurred for the construction of  
an improvement on land including the acquisition cost of the  
land, if the recorded writing so indicates.

(2) A security interest under this Article may be created in  
goods which are fixtures or may continue in goods which become  
fixtures, but no security interest exists under this Article in  
ordinary building materials incorporated into an improvement on  
land.

(3) This Article does not prevent creation of an encumbrance  
upon fixtures pursuant to real estate law.

(4) A perfected security interest in fixtures has priority  
over the conflicting interest of an encumbrancer or owner of the  
real estate where

(a) the security interest is a purchase money security  
interest, the interest of the encumbrancer or owner arises  
before the goods become fixtures, the security interest is  
perfected by a fixture filing before the goods become fixtures  
or within ten days thereafter, and the debtor has an interest of  
record in the real estate or is in possession of the real  
estate; or

(b) the security interest is perfected by a fixture filing  
before the interest of the encumbrancer or owner is of record,  
the security interest has priority over any conflicting interest  
of a predecessor in title of the encumbrancer or owner, and the  
debtor has an interest of record in the real estate or is in  
possession of the real estate; or

(c) the fixtures are readily removable office machines or

1 readily removable replacements of domestic appliances which are  
2 consumer goods, and before the goods become fixtures the  
3 security interest is perfected by any method permitted by this  
4 Article; or

5 (d) the conflicting interest is a lien on the real estate  
6 obtained by legal or equitable proceedings after the security  
7 interest was perfected by any method permitted by this Article.

8 (5) A security interest in fixtures, whether or not  
9 perfected, has priority over the conflicting interest of an  
10 encumbrancer or owner of the real estate where

11 (a) the encumbrancer or owner has consented in writing to  
12 the security interest or has disclaimed an interest in the goods  
13 as fixtures; or

14 (b) the debtor has a right to remove the goods as against  
15 the encumbrancer or owner. If the debtor's right terminates, the  
16 priority of the security interest continues for a reasonable  
17 time.

18 (6) Notwithstanding paragraph (a) of subsection (4) but  
19 otherwise subject to subsections (4) and (5), a security  
20 interest in fixtures is subordinate to a construction mortgage  
21 recorded before the goods become fixtures if the goods become  
22 fixtures before the completion of the construction. To the  
23 extent that it is given to refinance a construction mortgage, a  
24 mortgage has this priority to the same extent as the  
25 construction mortgage.

26 (7) In cases not within the preceding subsections, a  
27 security interest in fixtures is subordinate to the conflicting  
28 interest of an encumbrancer or owner of the related real estate  
29 who is not the debtor.

30 [(5)] (8) When [under subsections (2) or (3) and (4) a] the



1 secured party has priority over [the claims of all persons who  
2 have interests in] all owners and encumbrancers of the real  
3 estate, he may, on default, subject to the provisions of Part 5,  
4 remove his collateral from the real estate but he must reimburse  
5 any encumbrancer or owner of the real estate who is not the  
6 debtor and who has not otherwise agreed for the cost of repair  
7 of any physical injury, but not for any diminution in value of  
8 the real estate caused by the absence of the goods removed or by  
9 any necessity for replacing them. A person entitled to  
10 reimbursement may refuse permission to remove until the secured  
11 party gives adequate security for the performance of this  
12 obligation.

13 Section 6. Section 9-318 of the act, reenacted and amended  
14 October 2, 1959 (P.L.1023, No.426), and amended August 24, 1963  
15 (P.L.1213, No.510), is amended to read:

16 Section 9-318. Defenses Against Assignee; Modification of  
17 Contract After Notification of Assignment; Term Prohibiting  
18 Assignment Ineffective; Identification and Proof of  
19 Assignment.--(1) Unless an account debtor has made an  
20 enforceable agreement not to assert defenses or claims arising  
21 out of a sale as provided in Section 9-206 the rights of an  
22 assignee are subject to

23 (a) all the terms of the contract between the account debtor  
24 and assignor and any defense or claim arising therefrom; and

25 (b) any other defense or claim of the account debtor against  
26 the assignor which accrues before the account debtor receives  
27 notification of the assignment.

28 (2) So far as the right to payment or a part thereof under  
29 an assigned contract [right has not already become an account,]  
30 has not been fully earned by performance, and notwithstanding

1 notification of the assignment, any modification of or  
2 substitution for the contract made in good faith and in  
3 accordance with reasonable commercial standards is effective  
4 against an assignee unless the account debtor has otherwise  
5 agreed but the assignee acquires corresponding rights under the  
6 modified or substituted contract. The assignment may provide  
7 that such modification or substitution is a breach by the  
8 assignor.

9 (3) The account debtor is authorized to pay the assignor  
10 until the account debtor receives notification that the  
11 [account] amount due or to become due has been assigned and that  
12 payment is to be made to the assignee. A notification which does  
13 not reasonably identify the rights assigned is ineffective. If  
14 requested by the account debtor, the assignee must seasonably  
15 furnish reasonable proof that the assignment has been made and  
16 unless he does so the account debtor may pay the assignor.

17 (4) A term in any contract between an account debtor and an  
18 assignor [which] is ineffective if it prohibits assignment of an  
19 account [or contract right to which they are parties is  
20 ineffective] or prohibits creation of a security interest in a  
21 general intangible for money due or to become due or requires  
22 the account debtor's consent to such assignment or security  
23 interest.

24 Section 7. Section 9-401 of the act, reenacted and amended  
25 October 2, 1959 (P.L.1023, No.426), and amended December 16,  
26 1959 (P.L.1883, No.687) and August 24, 1963 (P.L.1213, No.510),  
27 is amended to read:

28 Section 9-401. Place of Filing; Erroneous Filing; Removal of  
29 Collateral.--(1) The proper place to file in order to perfect a  
30 security interest is as follows:

1 (a) when the collateral is equipment used in farming  
2 operations, or farm products, or accounts [, contract rights] or  
3 general intangibles arising from or relating to the sale of farm  
4 products by a farmer, or consumer goods, then in the office of  
5 the prothonotary in the county of the debtor's residence or if  
6 the debtor is not a resident of this State then in the office of  
7 the prothonotary in the county where the goods are kept, and in  
8 addition when the collateral is crops growing or to be grown in  
9 the office of the prothonotary in the county where the land [on  
10 which the crops are growing or to be grown] is located;

11 (b) when the collateral is [goods which at the time the  
12 security interest attaches are or are to become fixtures,]  
13 timber to be cut or is minerals or the like (including oil and  
14 gas) or accounts subject to subsection (5) of Section 9-103, or  
15 when the financing statement is filed as a fixture filing  
16 (Section 9-313) and the collateral is goods which are or are to  
17 become fixtures, then in the office where a mortgage on the real  
18 estate [concerned] would be filed or recorded;

19 (c) in all other cases, in the office of the Secretary of  
20 the Commonwealth and in addition, if the debtor has a place of  
21 business in only one county of this state, also in the office of  
22 the prothonotary of such county, or, if the debtor has no place  
23 of business in this state, but resides in the state, also in the  
24 office of the prothonotary of the county in which he resides.

25 (2) A filing which is made in good faith in an improper  
26 place or not in all of the places required by this section is  
27 nevertheless effective with regard to any collateral as to which  
28 the filing complied with the requirements of this Article and is  
29 also effective with regard to collateral covered by the  
30 financing statement against any person who has knowledge of the

1 contents of such financing statement.

2 (3) A filing which is made in the proper county continues  
3 effective for four months after a change to another county of  
4 the debtor's residence or place of business or the location of  
5 the collateral, whichever controlled the original filing. It  
6 becomes ineffective thereafter unless a copy of the financing  
7 statement signed by the secured party is filed in the new county  
8 within said period. The security interest may also be perfected  
9 in the new county after the expiration of the four-month period;  
10 in such case perfection dates from the time of perfection in the  
11 new county. A change in the use of the collateral does not  
12 impair the effectiveness of the original filing.

13 (4) [If collateral is brought into this state from another  
14 jurisdiction, the] The rules stated in Section 9-103 determine  
15 whether filing is necessary in this state.

16 (5) Notwithstanding the preceding subsections, and subject  
17 to subsection (3) of Section 9-302, the proper place to file in  
18 order to perfect a security interest in collateral, including  
19 fixtures, of a transmitting utility is the office of the  
20 Secretary of the Commonwealth. This filing constitutes a fixture  
21 filing (Section 9-313) as to the collateral described therein  
22 which is or is to become fixtures.

23 (6) For the purposes of this section, the residence of an  
24 organization is its place of business if it has one or its chief  
25 executive office if it has more than one place of business.

26 Section 8. Section 9-402 of the act, reenacted and amended  
27 October 2, 1959 (P.L.1023, No.426), is amended to read:

28 Section 9-402. Formal Requisites of Financing Statement;  
29 Amendments; Mortgage as Financing Statement.--(1) A financing  
30 statement is sufficient if it gives the names of the debtor and

1 the secured party, is signed by the debtor [and the secured  
2 party], gives an address of the secured party from which  
3 information concerning the security interest may be obtained,  
4 gives a mailing address of the debtor and contains a statement  
5 indicating the types, or describing the items, of collateral. A  
6 financing statement may be filed before a security agreement is  
7 made or a security interest otherwise attaches. When the  
8 financing statement covers crops growing or to be grown [or  
9 goods which are or are to become fixtures], the statement must  
10 also contain a description of the real estate concerned. When  
11 the financing statement covers timber to be cut or covers  
12 minerals or the like (including oil and gas) or accounts subject  
13 to subsection (5) of Section 9-103, or when the financing  
14 statement is filed as a fixture filing (Section 9-313) and the  
15 collateral is goods which are or are to become fixtures, the  
16 statement must also comply with subsection (5). A copy of the  
17 security agreement is sufficient as a financing statement if it  
18 contains the above information and is signed by [both parties.]  
19 the debtor. A carbon, photographic or other reproduction of a  
20 security agreement is sufficient as a financing statement if the  
21 security agreement so provides or if the original has been filed  
22 in this State.

23 (2) A financing statement which otherwise complies with  
24 subsection (1) is sufficient [although] when it is signed [only]  
25 by the secured party [when] instead of the debtor if it is filed  
26 to perfect a security interest in

27 (a) collateral already subject to a security interest in  
28 another jurisdiction when it is brought into this state, or when  
29 the debtor's location is changed to this State. Such a financing  
30 statement must state that the collateral was brought into this

1 state or that the debtor's location was changed to this State  
2 under such circumstances; or

3 (b) proceeds under Section 9-306, if the security interest  
4 in the original collateral was perfected. Such a financing  
5 statement must describe the original collateral; or

6 (c) collateral as to which the filing has lapsed; or

7 (d) collateral acquired after a change of name, identity or  
8 corporate structure of the debtor (subsection (7)).

9 (3) A form substantially as follows and as approved by the  
10 Secretary of the Commonwealth is sufficient to comply with  
11 subsection (1):

12 Name of debtor (or assignor).....

13 Address: .....

14 Name of secured party (or assignee).....

15 Address: .....

16 1. This financing statement covers the following types (or  
17 items) of property:

18 (Describe)

19 2. (If collateral is crops) The above described crops are  
20 growing or are to be grown on:

21 (Describe Real Estate)

22 [3. (If collateral is goods which are or are to become  
23 fixtures) The above described goods are affixed or to be affixed  
24 to:

25 (Describe Real Estate)]

26 3. (If applicable) The above goods are to become fixtures on  
27 (Describe Real Estate).....

28 and this financing statement is to be filed in the real estate  
29 records. (If the debtor does not have an interest of record) The  
30 name of a record owner is.....

1       4. (If [proceeds or] products of collateral are claimed)  
2 [(Proceeds)--] (Products) of the collateral are also covered.  
3       (use .....  
4 whichever                               Signature of Debtor (or Assignor)  
5       is .....  
6 applicable)                               Signature of Secured Party (or Assignee)

7       (4) [The term "financing statement" as used in this Article  
8 means the original financing statement and any amendments but  
9 if] A financing statement may be amended by filing a form  
10 approved by the Secretary of the Commonwealth signed by both the  
11 debtor and the secured party. An amendment does not extend the  
12 period of effectiveness of a financing statement. If any  
13 amendment adds collateral, it is effective as to the added  
14 collateral only from the filing date of the amendment. In this  
15 Article, unless the context otherwise requires, the term  
16 "financing statement" means the original financing statement and  
17 any amendments.

18       (5) A financing statement covering timber to be cut or  
19 covering minerals or the like (including oil and gas) or  
20 accounts subject to subsection (5) of Section 9-103, or a  
21 financing statement filed as a fixture filing (Section 9-313)  
22 where the debtor is not a transmitting utility, must show that  
23 it covers this type of collateral, must recite that it is to be  
24 filed in the real estate records, and the financing statement  
25 must contain a description of the real estate. If the debtor  
26 does not have an interest of record in the real estate, the  
27 financing statement must show the name of a record owner.

28       (6) A mortgage is effective as a financing statement filed  
29 as a fixture filing from the date of its recording if (a) the  
30 goods are described in the mortgage by item or type, (b) the

1 goods are or are to become fixtures related to the real estate  
2 described in the mortgage, (c) the mortgage complies with the  
3 requirements for a financing statement in this section other  
4 than a recital that it is to be filed in the real estate  
5 records, and (d) the mortgage is duly recorded. No fee with  
6 reference to the financing statement is required other than the  
7 regular recording and satisfaction fees with respect to the  
8 mortgage.

9 (7) A financing statement sufficiently shows the name of the  
10 debtor if it gives the individual, partnership or corporate name  
11 of the debtor, whether or not it adds other trade names or the  
12 names of partners. Where the debtor so changes his name or in  
13 the case of an organization its name, identity or corporate  
14 structure that a filed financing statement becomes seriously  
15 misleading, the filing is not effective to perfect a security  
16 interest in collateral acquired by the debtor more than four  
17 months after the change, unless a new appropriate financing  
18 statement is filed before the expiration of that time. A filed  
19 financing statement remains effective with respect to collateral  
20 transferred by the debtor even though the secured party knows of  
21 or consents to the transfer.

22 [(5)] (8) A financing statement substantially complying with  
23 the requirements of this section is effective even though it  
24 contains minor errors which are not seriously misleading.

25 Section 9. Section 9-403 of the act reenacted and amended  
26 October 2, 1959 (P.L.1023, No.426), and amended August 24, 1963  
27 (P.L.1213, No.510), is amended to read:

28 Section 9-403. What Constitutes Filing; Duration of Filing;  
29 Effect of Lapsed Filing; Duties of Filing Officer.--(1)  
30 Presentation for filing of a financing statement and tender of



1 the filing fee or acceptance of the statement by the filing  
2 officer constitutes filing under this Article.

3 (2) [A] Except as provided in subsection (6) a filed  
4 financing statement [which states a maturity date of the  
5 obligation secured of five years or less is effective until such  
6 maturity date and thereafter for a period of sixty days. Any  
7 other filed financing statement] is effective for a period of  
8 five years from the date of filing. The effectiveness of a filed  
9 financing statement lapses [on the expiration of such sixty day  
10 period after a stated maturity date or] on the expiration of  
11 [such] the five year period [, as the case may be] unless a  
12 continuation statement is filed prior to the lapse. If a  
13 security interest perfected by filing exists at the time  
14 insolvency proceedings are commenced by or against the debtor,  
15 the security interest remains perfected until termination of the  
16 insolvency proceedings and thereafter for a period of sixty days  
17 or until expiration of the five year period, whichever occurs  
18 later. Upon [such] lapse the security interest becomes  
19 unperfected, unless it is perfected without filing. If the  
20 security interest becomes unperfected upon lapse, it is deemed  
21 to have been unperfected as against a person who became a  
22 purchaser or lien creditor before lapse. [A filed financing  
23 statement which states that the obligation secured is payable on  
24 demand is effective for five years from the date of filing.]

25 (3) A continuation statement may be filed by the secured  
26 party [(i) within six months before and sixty days after a  
27 stated maturity date of five years or less, and (ii) otherwise]  
28 within six months prior to the expiration of the five year  
29 period specified in subsection (2). Any such continuation  
30 statement must be signed by the secured party, identify the

1 original statement by debtor's name and address and by file  
2 number and state that the original statement is still effective.  
3 A continuation statement signed by a person other than the  
4 secured party of record must be accompanied by a separate  
5 written statement of assignment signed by the secured party of  
6 record and complying with subsection (2) of Section 9-405,  
7 including payment of the required fee. Upon timely filing of the  
8 continuation statement, the effectiveness of the original  
9 statement is continued for five years after the last date to  
10 which the filing was effective whereupon it lapses in the same  
11 manner as provided in subsection (2) unless another continuation  
12 statement is filed prior to such lapse. Succeeding continuation  
13 statements may be filed in the same manner to continue the  
14 effectiveness of the original statement. Unless a statute on  
15 disposition of public records provides otherwise, the filing  
16 officer may remove a lapsed statement from the files and destroy  
17 it immediately if he has retained a microfilm or other  
18 photographic record, or in other cases after one year after the  
19 lapse. The filing officer shall so arrange matters by physical  
20 annexation of financing statements to continuation statements or  
21 other related filings, or by other means, that if he physically  
22 destroys the financing statements of a period more than five  
23 years past, those which have been continued by a continuation  
24 statement or which are still effective under subsection (6)  
25 shall be retained.

26 (4) [A] Except as provided in subsection (7) a filing  
27 officer shall mark each statement with a [consecutive] file  
28 number and with the date and hour of filing and shall hold the  
29 statement or a microfilm or other photographic copy thereof for  
30 public inspection. In addition the filing officer shall index

1 the statements according to the name of the debtor and shall  
2 note in the index the file number and the address of the debtor  
3 given in the statement. [The Secretary of the Commonwealth shall  
4 not be required to index the statement according to the name of  
5 the secured party.]

6 (5) [The uniform fee for filing, indexing and furnishing  
7 filing data for an original or a continuation statement shall be  
8 three dollars (\$3.00).] The uniform fee for filing and indexing  
9 and for stamping a copy furnished by the secured party to show  
10 the date and place of filing for an original financing statement  
11 or for a continuation statement shall be five dollars (\$5.00).  
12 All filings under the Uniform Commercial Code shall be made on  
13 standard forms approved by the Secretary of the Commonwealth. No  
14 fee will be charged for supplementary pages identical in size to  
15 the standard form. A fee of two dollars (\$2.00) shall be charged  
16 for the first supplementary page of nonstandard size and one  
17 dollar (\$1.00) for each such additional page.

18 (6) If the debtor is a transmitting utility (subsection (5)  
19 of Section 9-401) and a filed financing statement so states, it  
20 is effective until a termination statement is filed. A real  
21 estate mortgage which is effective as a fixture filing under  
22 subsection (6) of Section 9-402 remains effective as a fixture  
23 filing until the mortgage is released or satisfied of record or  
24 its effectiveness otherwise terminates as to the real estate.

25 (7) When a financing statement covers timber to be cut or  
26 covers minerals or the like (including oil and gas) or accounts  
27 subject to subsection (5) of Section 9-103, or is filed as a  
28 fixture filing, the filing officer shall index it under the  
29 names of the debtor and any owner of record shown on the  
30 financing statement in the same fashion as if they were the

1 mortgagors in a mortgage of the real estate described, and, to  
2 the extent that the law of this State provides for indexing of  
3 mortgages under the name of the mortgagee, under the name of the  
4 secured party as if he were the mortgagee thereunder, or where  
5 indexing is by description in the same fashion as if the  
6 financing statement were a mortgage of the real estate  
7 described.

8 Section 10. Sections 9-404, 9-405, 9-406, 9-407, 9-408 and  
9 9-409 of the act, reenacted and amended October 2, 1959  
10 (P.L.1023, No.426), and amended or added July 21, 1970 (P.L.508,  
11 No.176), are amended to read:

12 Section 9-404. Termination Statement.--(1) [Whenever] If a  
13 financing statement covering consumer goods is filed on or after  
14 the effective date of this act, then within one month or within  
15 ten days following written demand by the debtor after there is  
16 no outstanding secured obligation and no commitment to make  
17 advances, incur obligations or otherwise give value, the secured  
18 party must file with each filing officer with whom the financing  
19 statement was filed, a termination statement to the effect that  
20 he no longer claims a security interest under the financing  
21 statement, which shall be identified by debtor's name and  
22 address and by file number. In other cases whenever there is no  
23 outstanding secured obligation and no commitment to make  
24 advances, incur obligations or otherwise give value, the secured  
25 party must on written demand by the debtor send the debtor, for  
26 each filing officer with whom the financing statement was filed,  
27 a termination statement to the effect that he no longer claims  
28 a security interest under the financing statement, which shall  
29 be identified by file number. A termination statement signed by  
30 a person other than the secured party of record must [include

1 or] be accompanied by [the assignment or] a separate written  
2 statement of assignment signed by the secured party of record  
3 [that he has assigned the security interest to the signer of the  
4 termination statement. The uniform fee for filing and indexing  
5 such an assignment or statement thereof shall be three dollars  
6 (\$3.00).] complying with subsection (2) of Section 9-405,  
7 including payment of the required fee. If the affected secured  
8 party fails to file such a termination statement as required by  
9 this subsection, or to send such a termination statement within  
10 ten days after proper demand therefor he shall be liable to the  
11 debtor for one hundred dollars, and in addition for any loss  
12 caused to the debtor by such failure.

13 (2) On presentation to the filing officer of such a  
14 termination statement he must note it in the index. [Unless a  
15 statute on disposition of public records provides otherwise, the  
16 filing officer shall remove the financing statement from the  
17 files, mark it "terminated" and send or deliver the financing  
18 statement to the secured party.] If he has received the  
19 termination statement in duplicate, he shall return one copy of  
20 the termination statement to the secured party stamped to show  
21 the time of receipt thereof. If the filing officer has a  
22 microfilm or other photographic record of the financing  
23 statement, and of any related continuation statement, statement  
24 of assignment and statement of release, he may remove the  
25 originals from the files at any time after receipt of the  
26 termination statement, or if he has no such record, he may  
27 remove them from the files at any time after one year after  
28 receipt of the termination statement.

29 (3) The uniform fee for filing and indexing the termination  
30 statement shall be five dollars (\$5.00). All filings under the

1 Uniform Commercial Code shall be made on standard forms approved  
2 by the Secretary of the Commonwealth. No fee will be charged for  
3 supplementary pages identical in size to the standard form. A  
4 fee of two dollars (\$2.00) shall be charged for the first  
5 supplementary page of nonstandard size and one dollar (\$1.00)  
6 for each such additional page.

7       Section 9-405. Assignment of Security Interest; Duties of  
8 Filing Officer; Fees.--(1) A financing statement may disclose an  
9 assignment of a security interest in the collateral described in  
10 the financing statement by indication in the financing statement  
11 of the name and address of the assignee or by an assignment  
12 itself or a copy thereof on the face [or back] of the statement.  
13 [Either the original secured party or the assignee may sign this  
14 statement as the secured party.] On presentation to the filing  
15 officer of such a financing statement the filing officer shall  
16 mark the same as provided in Section 9-403(4). The uniform fee  
17 for filing, indexing and furnishing filing data for a financing  
18 statement so indicating an assignment shall be [three dollars  
19 (\$3.00).] five dollars (\$5.00). All filings under the Uniform  
20 Commercial Code shall be made on standard forms approved by the  
21 Secretary of the Commonwealth. No fee will be charged for  
22 supplementary pages identical in size to the standard form. A  
23 fee of two dollars (\$2.00) shall be charged for the first  
24 supplementary page of nonstandard size and one dollar (\$1.00)  
25 for each such additional page.

26       (2) A secured party may assign of record all or a part of  
27 his rights under a financing statement by the filing in the  
28 place where the original financing statement was filed of a  
29 separate written statement of assignment signed by the secured  
30 party of record and setting forth the name of the secured party

1 of record and the debtor, the file number and the date of filing  
2 of the financing statement and the name and address of the  
3 assignee and containing a description of the collateral  
4 assigned. A copy of the assignment is sufficient as a separate  
5 statement if it complies with the preceding sentence. On  
6 presentation to the filing officer of such a separate statement,  
7 the filing officer shall mark such separate statement with the  
8 date and hour of the filing. He shall note the assignment on the  
9 index of the financing statement, or in the case of a fixture  
10 filing, or a filing covering timber to be cut, or covering  
11 minerals or the like (including oil and gas) or accounts subject  
12 to subsection (5) of Section 9-103, he shall index the  
13 assignment under the name of the assignor as grantor and, to the  
14 extent that the law of this State provides for indexing the  
15 assignment of a mortgage under the name of the assignee, he  
16 shall index the assignment of the financing statement under the  
17 name of the assignee. [The uniform fee for filing, indexing and  
18 furnishing filing data about such a separate statement of  
19 assignment shall be three dollars (\$3.00).] The uniform fee for  
20 filing, indexing and furnishing filing data about such a  
21 separate statement of assignment shall be five dollars (\$5.00).  
22 All filings under the Uniform Commercial Code shall be made on  
23 standard forms approved by the Secretary of the Commonwealth. No  
24 fee will be charged for supplementary pages identical in size to  
25 the standard form. A fee of two dollars (\$2.00) shall be charged  
26 for the first supplementary page of nonstandard size and one  
27 dollar (\$1.00) for each such additional page. Notwithstanding  
28 the provisions of this subsection, an assignment of record of a  
29 security interest in a fixture contained in a mortgage effective  
30 as a fixture filing (subsection (6) of Section 9-402) may be

1 made only by an assignment of the mortgage in the manner  
2 provided by the law of this State other than this act.

3 (3) After the disclosure or filing of an assignment under  
4 this section, the assignee is the secured party of record.

5 Section 9-406. Release of Collateral; Duties of Filing  
6 Officer; Fees.--A secured party of record may by his signed  
7 statement release all or a part of any collateral described in a  
8 filed financing statement. The statement of release is  
9 sufficient if it contains a description of the collateral being  
10 released, the name and address of the debtor, the name and  
11 address of the secured party, and the file number of the  
12 financing statement. A statement of release signed by a person  
13 other than the secured party of record must be accompanied by a  
14 separate written statement of assignment signed by the secured  
15 party of record and complying with subsection (2) of Section 9-  
16 405, including payment of the required fee. Upon presentation of  
17 such a statement of release to the filing officer he shall mark  
18 the statement with the hour and date of filing and shall note  
19 the same upon the margin of the index of the filing of the  
20 financing statement. [The uniform fee for filing and noting such  
21 a statement of release shall be three dollars (\$3.00).] The  
22 uniform fee for filing and noting such a statement of release  
23 shall be five dollars (\$5.00). All filings under the Uniform  
24 Commercial Code shall be made on standard forms approved by the  
25 Secretary of the Commonwealth. No fee will be charged for  
26 supplementary pages identical in size to the standard form. A  
27 fee of two dollars (\$2.00) shall be charged for the first  
28 supplementary page of nonstandard size and one dollar (\$1.00)  
29 for each such additional page.

30 Section 9-407. Information From Filing Officer.--(1) If the



1 person filing any financing statement, termination statement,  
2 statement of assignment, or statement of release, furnishes the  
3 filing officer a copy thereof, the filing officer shall upon  
4 request note upon the copy the file number and date and hour of  
5 the filing of the original and deliver or send the copy to such  
6 person.

7 (2) Upon request of any person, the filing officer shall  
8 issue his certificate showing whether there is on file on the  
9 date and hour stated therein, any presently effective financing  
10 statement naming a particular debtor and any statement of  
11 assignment thereof and if there is, giving the date and hour of  
12 filing of each such statement, the file number thereof and the  
13 names and addresses of each secured party therein. [The uniform  
14 fee for such a certificate shall be three dollars (\$3.00) plus  
15 one dollar (\$1.00) for each financing statement and for each  
16 statement of assignment reported therein. Upon request the  
17 filing officer shall furnish a copy of any filed financing  
18 statement or statement of assignment for a uniform fee of one  
19 dollar (\$1.00) per page.] The uniform fee for such a certificate  
20 shall be five dollars (\$5.00) plus one dollar (\$1.00) for each  
21 financing statement found and for each statement of assignment  
22 reported therein.

23 Section 9-408. [Retention of Microfilm or Other Copies in  
24 Lieu of Originals; Admissibility of Copies in Evidence; Duties  
25 of Filing Officer.--In lieu of retaining the originals of any or  
26 all papers filed with him, a filing officer may make microfilm,  
27 photographic, photostatic or other copies of them which  
28 accurately reproduce such originals and may thereafter dispose  
29 of the originals so copied, and any copy so made shall be  
30 admissible in evidence in any proceeding with the same effect as

1 though it were an original. If a filing officer upon making a  
2 copy of a paper shall have disposed of the original, then upon  
3 the filing of a termination statement the filing officer shall  
4 be relieved of the duties imposed upon him by subsection (2) of  
5 section 9-404, but instead shall note the termination statement  
6 on the index and shall send to the secured party an  
7 acknowledgment of the filing of the termination statement.]  
8 Financing Statements Covering Consigned or Leased Goods.--A  
9 consignor or lessor of goods may file a financing statement  
10 using the terms "consignor," "consignee," "lessor," "lessee" or  
11 the like instead of the terms specified in Section 9-402. The  
12 provisions of this Part shall apply as appropriate to such a  
13 financing statement but its filing shall not of itself be a  
14 factor in determining whether or not the consignment or lease is  
15 intended as security (Section 1-201(37)). However, if it is  
16 determined for other reasons that the consignment or lease is so  
17 intended, a security interest of the consignor or lessor which  
18 attaches to the consigned or leased goods is perfected by such  
19 filing.

20 Section 9-409. [Uniform Fees; Standard Forms Approved by  
21 Secretary of the Commonwealth; Additional Fees.--The uniform  
22 filing fees prescribed in sections 9-403, 9-404, 9-405 and 9-406  
23 shall relate to the filing of papers in standard forms,  
24 otherwise complying with the requirements of this Part 4,  
25 approved by the Secretary of the Commonwealth. The fee for  
26 filing any paper not in a standard form approved by the  
27 Secretary of the Commonwealth shall be two dollars (\$2.00) more  
28 than the uniform fee prescribed for filing the standard form so  
29 approved. The filing fees prescribed in this Part 4 shall be  
30 applicable to papers of one page and naming one debtor. For each

1 additional page over one the filing officer shall be entitled to  
2 an additional fee of fifty cents (50¢) per page, and for each  
3 additional debtor the filing officer shall be entitled to an  
4 additional fee of fifty cents (50¢).] Retention of Microfilm or  
5 Other Copies in Lieu of Originals; Admissibility of Copies in  
6 Evidence; Duties of Filing Officer.--In lieu of retaining the  
7 originals of any or all papers filed with him, a filing officer  
8 may make microfilm, photographic, photostatic or other copies of  
9 them which accurately reproduce such originals and may  
10 thereafter dispose of the originals so copied, and any copy so  
11 made shall be admissible in evidence in any proceeding with the  
12 same effect as though it were an original. If a filing officer  
13 upon making a copy of a paper shall have disposed of the  
14 original, then upon the filing of a termination statement the  
15 filing officer shall be relieved of the duties imposed upon him  
16 by subsection (2) of Section 9-404, but instead shall note the  
17 termination statement on the index and shall send to the secured  
18 party an acknowledgment of the filing of the termination  
19 statement.

20 Section 11. Section 9-501 of the act reenacted and amended  
21 October 2, 1959 (P.L.1023, No.426), and amended December 16,  
22 1959 (P.L.1883, No.687), is amended to read:

23 Section 9-501. Default; Procedure When Security Agreement  
24 Covers Both Real and Personal Property.--(1) When a debtor is in  
25 default under a security agreement, a secured party has the  
26 rights and remedies provided in this Part and except as limited  
27 by subsection (3) those provided in the security agreement. He  
28 may reduce his claim to judgment, foreclose or otherwise enforce  
29 the security interest by any available judicial procedure. If  
30 the collateral is documents the secured party may proceed either

1 as to the documents or as to the goods covered thereby. A  
2 secured party in possession has the rights, remedies and duties  
3 provided in Section 9-207. The rights and remedies referred to  
4 in this subsection are cumulative.

5 (2) After default, the debtor has the rights and remedies  
6 provided in this Part, those provided in the security agreement  
7 and those provided in Section 9-207.

8 (3) To the extent that they give rights to the debtor and  
9 impose duties on the secured party, the rules stated in the  
10 subsections referred to below may not be waived or varied except  
11 as provided with respect to compulsory disposition of collateral  
12 (subsection [(1) of] (3) of Section 9-504 and Section 9-505) and  
13 with respect to redemption of collateral (Section 9-506) but the  
14 parties may by agreement determine the standards by which the  
15 fulfillment of these rights and duties is to be measured if such  
16 standards are not manifestly unreasonable:

17 (a) subsection (2) of Section 9-502 and subsection (2) of  
18 Section 9-504 insofar as they require accounting for surplus  
19 proceeds of collateral;

20 (b) subsection (3) of Section 9-504 and subsection (1) of  
21 Section 9-505 which deal with disposition of collateral;

22 (c) subsection (2) of Section 9-505 which deals with  
23 acceptance of collateral as discharge of obligation;

24 (d) Section 9-506 which deals with redemption of collateral;  
25 and

26 (e) subsection (1) of Section 9-507 which deals with the  
27 secured party's liability for failure to comply with this Part.

28 (4) If the security agreement covers both real and personal  
29 property, the secured party may proceed under this Part as to  
30 the personal property or he may proceed as to both the real and

1 the personal property in accordance with his rights and remedies  
2 in respect of the real property in which case the provisions of  
3 this Part do not apply.

4 (5) When a secured party has reduced his claim to judgment  
5 the lien of any levy which may be made upon his collateral by  
6 virtue of any execution based upon the judgment shall relate  
7 back to the date of the perfection of the security interest in  
8 such collateral. A judicial sale, pursuant to such execution, is  
9 a foreclosure of the security interest by judicial procedure  
10 within the meaning of this section, and the secured party may  
11 purchase at the sale and thereafter hold the collateral free of  
12 any other requirements of this Article.

13 Section 12. Sections 9-502, 9-504 and 9-505 of the act,  
14 reenacted and amended October 2, 1959 (P.L.1023, No.426), are  
15 amended to read:

16 Section 9-502. Collection Rights of Secured Party.--(1) When  
17 so agreed and in any event on default the secured party is  
18 entitled to notify an account debtor or the obligor on an  
19 instrument to make payment to him whether or not the assignor  
20 was theretofore making collections on the collateral, and also  
21 to take control of any proceeds to which he is entitled under  
22 Section 9-306.

23 (2) A secured party who by agreement is entitled to charge  
24 back uncollected collateral or otherwise to full or limited  
25 recourse against the debtor and who undertakes to collect from  
26 the account debtors or obligors must proceed in a commercially  
27 reasonable manner and may deduct his reasonable expenses of  
28 realization from the collections. If the security agreement  
29 secures an indebtedness, the secured party must account to the  
30 debtor for any surplus, and unless otherwise agreed, the debtor

1 is liable for any deficiency. But, if the underlying transaction  
2 was a sale of accounts [, contract rights,] or chattel paper,  
3 the debtor is entitled to any surplus or is liable for any  
4 deficiency only if the security agreement so provides.

5 Section 9-504. Secured Party's Right to Dispose of  
6 Collateral After Default; Effect of Disposition.--(1) A secured  
7 party after default may sell, lease or otherwise dispose of any  
8 or all of the collateral in its then condition or following any  
9 commercially reasonable preparation or processing. Any sale of  
10 goods is subject to the Article on Sales (Article 2). The  
11 proceeds of disposition shall be applied in the order following  
12 to

13 (a) the reasonable expenses of retaking, holding, preparing  
14 for sale or lease, selling, leasing and the like and, to the  
15 extent provided for in the agreement and not prohibited by law,  
16 the reasonable attorneys' fees and legal expenses incurred by  
17 the secured party;

18 (b) the satisfaction of indebtedness secured by the security  
19 interest under which the disposition is made;

20 (c) the satisfaction of indebtedness secured by any  
21 subordinate security interest in the collateral if written  
22 notification of demand therefor is received before distribution  
23 of the proceeds is completed. If requested by the secured party,  
24 the holder of a subordinate security interest must seasonably  
25 furnish reasonable proof of his interest, and unless he does so,  
26 the secured party need not comply with his demand.

27 (2) If the security interest secures an indebtedness, the  
28 secured party must account to the debtor for any surplus, and  
29 unless otherwise agreed, the debtor is liable for any  
30 deficiency. But if the underlying transaction was a sale of

1 accounts[, contract rights,] or chattel paper, the debtor is  
2 entitled to any surplus or is liable for any deficiency only if  
3 the security agreement so provides.

4 (3) Disposition of the collateral may be by public or  
5 private proceedings and may be made by way of one or more  
6 contracts. Sale or other disposition may be as a unit or in  
7 parcels and at any time and place and on any terms but every  
8 aspect of the disposition including the method, manner, time,  
9 place and terms must be commercially reasonable. Unless  
10 collateral is perishable or threatens to decline speedily in  
11 value or is of a type customarily sold on a recognized market,  
12 reasonable notification of the time and place of any public sale  
13 or reasonable notification of the time after which any private  
14 sale or other intended disposition is to be made shall be sent  
15 by the secured party to the debtor, [and except in the case of  
16 consumer goods to any other person who has a security interest  
17 in the collateral and who has duly filed a financing statement  
18 indexed in the name of the debtor in this state or who is known  
19 by the secured party to have a security interest in the  
20 collateral.] if he has not signed after default a statement  
21 renouncing or modifying his right to notification of sale. In  
22 the case of consumer goods no other notification need be sent.  
23 In other cases notification shall be sent to any other secured  
24 party from whom the secured party has received (before sending  
25 his notification to the debtor or before the debtor's  
26 renunciation of his rights) written notice of a claim of an  
27 interest in the collateral. The secured party may buy at any  
28 public sale and if the collateral is of a type customarily sold  
29 in a recognized market or is of a type which is the subject of  
30 widely distributed standard price quotations he may buy at

1 private sale.

2 (4) When collateral is disposed of by a secured party after  
3 default, the disposition transfers to a purchaser for value all  
4 of the debtor's rights therein, discharges the security interest  
5 under which it is made and any security interest or lien  
6 subordinate thereto. The purchaser takes free of all such rights  
7 and interests even though the secured party fails to comply with  
8 the requirements of this Part or of any judicial proceedings

9 (a) in the case of a public sale, if the purchaser has no  
10 knowledge of any defects in the sale and if he does not buy in  
11 collusion with the secured party, other bidders or the person  
12 conducting the sale; or

13 (b) in any other case, if the purchaser acts in good faith.

14 (5) A person who is liable to a secured party under a  
15 guaranty, indorsement, repurchase agreement or the like and who  
16 receives a transfer of collateral from the secured party or is  
17 subrogated to his rights has thereafter the rights and duties of  
18 the secured party. Such a transfer of collateral is not a sale  
19 or disposition of the collateral under this Article.

20 Section 9-505. Compulsory Disposition of Collateral;  
21 Acceptance of the Collateral as Discharge of Obligation.--(1) If  
22 the debtor has paid sixty per cent of the cash price in the case  
23 of a purchase money security interest in consumer goods or sixty  
24 per cent of the loan in the case of another security interest in  
25 consumer goods, and has not signed after default a statement  
26 renouncing or modifying his rights under this Part a secured  
27 party who has taken possession of collateral must dispose of it  
28 under Section 9-504 and if he fails to do so within ninety days  
29 after he takes possession the debtor at his option may recover  
30 in conversion or under Section 9-507(1) on secured party's



1 liability.

2 (2) In any other case involving consumer goods or any other  
3 collateral a secured party in possession may, after default,  
4 propose to retain the collateral in satisfaction of the  
5 obligation. Written notice of such proposal shall be sent to the  
6 debtor [and except in the case of consumer goods to any other  
7 secured party who has a security interest in the collateral and  
8 who has duly filed a financing statement indexed in the name of  
9 the debtor in this state or is known by the secured party in  
10 possession to have a security interest in it. If the debtor or  
11 other person entitled to receive notification objects in writing  
12 within thirty days from the receipt of the notification or if  
13 any other secured party objects in writing within thirty days  
14 after the secured party obtains possession the secured party  
15 must dispose of the collateral under Section 9-504.] if he has  
16 not signed after default a statement renouncing or modifying his  
17 rights under this subsection. In the case of consumer goods no  
18 other notice need be given. In other cases notice shall be sent  
19 to any other secured party from whom the secured party has  
20 received (before sending his notice to the debtor or before the  
21 debtor's renunciation of his rights) written notice of a claim  
22 of an interest in the collateral. If the secured party receives  
23 objection in writing from a person entitled to receive  
24 notification within twenty-one days after the notice was sent,  
25 the secured party must dispose of the collateral under Section  
26 9-504. In the absence of such written objection the secured  
27 party may retain the collateral in satisfaction of the debtor's  
28 obligation.

29 Section 13. Transition; General Rule.--Transactions validly  
30 entered into before the effective date of this act, and which

1 were subject to the provisions of the Uniform Commercial Code  
2 and which would be subject thereto under this act, if they had  
3 been entered into after the effective date of this act and the  
4 rights, duties and interests flowing from such transactions  
5 remain valid after the effective date of this act and may be  
6 terminated, completed, consummated or enforced as required or  
7 permitted after the effective date of this act. Security  
8 interests arising out of such transactions which are perfected  
9 when this act becomes effective shall remain perfected until  
10 they lapse as provided herein and may be continued, except as  
11 stated in Section 15.

12 Section 14. Transition Provision on Change of Requirement on  
13 Filing.--A security interest for the perfection of which filing  
14 or the taking of possession was required prior to this act and  
15 which attached prior to the effective date of this act but was  
16 not perfected shall be deemed perfected on the effective date of  
17 this act if this act permits perfection without filing or  
18 authorizes filing in the office where a prior ineffective filing  
19 was made.

20 Section 15. Transition Provision on Changes of Place of  
21 Filing.--(1) A financing statement or continuation statement  
22 filed prior to the effective date of this act which shall not  
23 have lapsed prior to that date shall remain effective for the  
24 period provided prior thereto, but not less than five years  
25 after the filing.

26 (2) With respect to any collateral acquired by the debtor  
27 subsequent to the effective date of this act, any effective  
28 financing statement or continuation statement described in this  
29 section shall apply only if the filing or filings are in the  
30 office that would be appropriate to perfect the security

1 interests in the new collateral after the effective date hereof.

2 (3) The effectiveness of any financing statement or  
3 continuation statement filed prior to the effective date of this  
4 act may be continued by a continuation statement as permitted  
5 herein, except that if filing is in an office where there was no  
6 previous financing statement required, a new financing statement  
7 conforming to Section 16 shall be filed in that office.

8 (4) If the record of a mortgage of real estate would have  
9 been effective as a fixture filing of goods described therein if  
10 this act had been in effect on the date of recording the  
11 mortgage, the mortgage shall be deemed effective as a fixture  
12 filing as to such goods under subsection (6) of Section 9-402,  
13 as revised by this act.

14 Section 16. Required Refilings.--(1) If a security interest  
15 is perfected or has priority when this act takes effect as to  
16 all persons or as to certain persons without any filing or  
17 recording, and if the filing of a financing statement would be  
18 required for the perfection or priority of the security interest  
19 against those persons after the effective date, the perfection  
20 and priority rights of the security interest continue until  
21 three years after the effective date of this act. The perfection  
22 will then lapse unless a financing statement is filed as  
23 provided in subsection (4) of this section or unless the  
24 security interest is perfected otherwise than by filing.

25 (2) If a security interest is perfected when this act takes  
26 effect under a law other than the Uniform Commercial Code prior  
27 thereto which requires no further filing, refiling or recording  
28 to continue its perfection, perfection continues until and will  
29 lapse three years after the effective date of this act, unless a  
30 financing statement is filed as provided in subsection (4) of

1 this section or unless the security interest is perfected  
2 otherwise than by filing, or unless under subsection (3) of  
3 Section 9-302 the other law continues to govern filing.

4 (3) If a security interest is perfected by a filing,  
5 refiling or recording under a law repealed by this act which  
6 required further filing, refiling or recording to continue its  
7 perfection, perfection continues and will lapse on the date  
8 provided by the law so repealed for such further filing,  
9 refiling or recording unless a financing statement is filed as  
10 provided in subsection (4) of this section or unless the  
11 security interest is perfected otherwise than by filing.

12 (4) A financing statement may be filed within six months  
13 before the perfection of a security interest would otherwise  
14 lapse, if perfection had been obtained by a filing under a  
15 statute other than the Uniform Commercial Code prior to the  
16 effective date of this act, or a filing in an office which would  
17 be improper thereunder after the effective date of this act. Any  
18 such financing statement may be signed by either the debtor or  
19 the secured party. It shall identify the security agreement,  
20 statement or notice (however denominated in any statute or other  
21 law repealed or modified by this act), state the office where  
22 and the date when the last filing, refiling or recording, if  
23 any, was made with respect thereto, and the filing number, if  
24 any, or book and page, if any, of recording and further state  
25 that the security agreement, statement or notice, however  
26 denominated, in another filing office under the Uniform  
27 Commercial Code or under any statute or other law repealed or  
28 modified by this act is still effective. Section 9-401 and  
29 Section 9-403, as amended by this act, determine the proper  
30 place to file such a financing statement. Except as specified in

1 this subsection, the provisions of Section 9-403(3) as amended  
2 herein for continuation statements apply to such a financing  
3 statement.

4 Section 17. Transition Provisions as to Priorities.--Except  
5 as otherwise provided in the transition provisions of this act,  
6 the Uniform Commercial Code in effect prior to the effective  
7 date of this act shall apply to any questions of priority if the  
8 positions of the parties were fixed prior to the effective date  
9 of this act. In other cases, questions of priority shall be  
10 determined as provided herein.

11 Section 18. This act shall take effect at 12:01 A.M. on  
12 January 1, of the year following enactment.