

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 102

HOUSE BILL 2025

AN ACT

AMENDING SECTION 41-126, ARIZONA REVISED STATUTES; AMENDING SECTION 47-1105, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 1999, CHAPTER 203, SECTION 12; AMENDING SECTIONS 47-9102, 47-9104 AND 47-9109, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 1999, CHAPTER 203, SECTION 35; AMENDING SECTION 47-9210, ARIZONA REVISED STATUTES; AMENDING SECTIONS 47-9311 AND 47-9317, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 1999, CHAPTER 203, SECTION 35; AMENDING SECTIONS 47-9323, 47-9331, 47-9334 AND 47-9336, ARIZONA REVISED STATUTES; AMENDING SECTIONS 47-9406 THROUGH 47-9409 AND 47-9504, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 1999, CHAPTER 203, SECTION 35; AMENDING SECTIONS 47-9509, 47-9512, 47-9513, 47-9514, 47-9515, 47-9516, 47-9523, 47-9525, 47-9608, 47-9613, 47-9615, 47-9625, 47-9702 AND 47-9705, ARIZONA REVISED STATUTES; RENUMBERING SECTION 47-9707, ARIZONA REVISED STATUTES, AS SECTION 47-9708; AMENDING TITLE 47, CHAPTER 9, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 47-9707; RENUMBERING SECTION 47-9708, ARIZONA REVISED STATUTES, AS SECTION 47-9709; RELATING TO SECURED TRANSACTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)



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

2 Section 1. Section 41-126, Arizona Revised Statutes, is amended to
3 read:

4 41-126. Fees; expedited services

5 A. The secretary of state shall receive the following fees:

6 1. Making a copy of any document on file in his office, no more than
7 ten cents for each page or partial page.

8 2. Filing and recording each official bond and transmitting a
9 commission for a notary public, no more than twenty-five dollars.

10 3. Filing an application for registration or renewal of the
11 registration of a trademark or recording an assignment of a trademark,
12 fifteen dollars.

13 4. Filing an application for registration or renewal of the
14 registration of a trade name or recording an assignment of a trade name, no
15 more than ten dollars.

16 5. Issuing a certificate of registration of a trademark or a trade
17 name, no more than three dollars.

18 6. Filing, as required by the uniform commercial code:

19 (a) A financing statement, no more than three dollars.

20 (b) An amendment to a financing statement, no more than three dollars.

21 (c) An assignment, no more than three dollars.

22 (d) A continuation statement, no more than three dollars.

23 (e) A statement of release, no more than two dollars.

24 (f) A termination statement, no more than two dollars.

25 7. Issuing a certificate as provided in section 44-3146 naming a
26 particular debtor, no more than six dollars.

27 8. Making a copy of a filed financing statement, no more than fifty
28 cents per page.

29 9. Certifying a copy of a writing specified in paragraphs 6, 7 and 8
30 of this section SUBSECTION, no more than three dollars.

31 10. Filing, recording or certifying any other document not specified
32 in this section, no more than three dollars.

33 B. The secretary of state shall provide for and establish an expedited
34 service for the processing of requests, applications, filings and searches
35 as follows:

36 1. The expedited processing shall be a priority same day service
37 effected in a fast and efficient manner.

38 2. A fee shall be charged for expedited services ~~and for the use of~~
39 ~~telephone or facsimile services~~. This fee shall not exceed twenty-five
40 dollars per service and shall be in addition to any other fees provided by
41 law, including those set forth in subsection A of this section.

42 C. The secretary of state shall adopt rules necessary to carry out
43 subsection B of this section.

1 Sec. 2. Section 47-1105, Arizona Revised Statutes, as amended by Laws
2 1999, chapter 203, section 12, is amended to read:

3 47-1105. Territorial application of the title; parties' power
4 to choose applicable law

5 A. Except as provided hereafter in this section, when a transaction
6 bears a reasonable relation to this state and also to another state or nation
7 the parties may agree that the law either of this state or of such other
8 state or nation shall govern their rights and duties. Failing such agreement
9 this title applies to transactions bearing an appropriate relation to this
10 state.

11 B. Where one of the following provisions of this title specifies the
12 applicable law, that provision governs and a contrary agreement is effective
13 only to the extent permitted by the law (including the conflict of laws
14 rules) so specified:

15 1. Rights of creditors against sold goods. Section 47-2402.

16 2. Applicability of the chapter on leases. Sections 47-2A105 and
17 47-2A106.

18 3. Applicability of the chapter on bank deposits and collections.
19 Section 47-4102.

20 4. GOVERNING LAW IN THE CHAPTER ON FUNDS TRANSFERS. SECTION 47-4A507.

21 ~~4.~~ 5. Letters of credit. Section 47-5116.

22 ~~5.~~ 6. Bulk sales subject to the chapter on bulk sales. Section
23 47-6103.

24 ~~6.~~ 7. Applicability of the chapter on investment securities. Section
25 47-8110.

26 ~~7.~~ 8. Law governing perfection, the effect of perfection or
27 nonperfection and the priority of security interests AND AGRICULTURAL LIENS.
28 Sections 47-9301 through 47-9307.

29 Sec. 3. Section 47-9102, Arizona Revised Statutes, as added by Laws
30 1999, chapter 203, section 35, is amended to read:

31 47-9102. Definitions and index of definitions

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

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

35 2. "Account", except as used in "account for", means a right to
36 payment of a monetary obligation, whether or not earned by performance, for
37 property that has been or is to be sold, leased, licensed, assigned or
38 otherwise disposed of, for services rendered or to be rendered, for a policy
39 of insurance issued or to be issued, for a secondary obligation incurred or
40 to be incurred, for energy provided or to be provided, for the use or hire
41 of a vessel under a charter or other contract, arising out of the use of a
42 credit or charge card or information contained on or for use with the card
43 or as winnings in a lottery or other game of chance operated or sponsored by
44 a state, a governmental unit of a state or A person licensed or authorized
45 to operate the game by a state or governmental unit of a state. Account

1 includes health-care-insurance receivables. Account does not include rights
2 to payment evidenced by chattel paper or an instrument, commercial tort
3 claims, deposit accounts, investment property, letter-of-credit rights or
4 letters of credit or rights to payment for money or funds advanced or sold,
5 other than rights arising out of the use of a credit or charge card or
6 information contained on or for use with the card.

7 3. "Account debtor" means a person obligated on an account, chattel
8 paper or general intangible but does not include persons obligated to pay a
9 negotiable instrument, even if the instrument constitutes part of chattel
10 paper.

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

12 (a) Authenticated by a secured party;

13 (b) Indicating the aggregate unpaid secured obligations as of a date
14 not more than thirty-five days earlier or thirty-five days later than the
15 date of the record; and

16 (c) Identifying the components of the obligations in reasonable
17 detail.

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

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

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

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

25 (b) That is created by statute in favor of a person that:

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

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

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

32 6. "As-extracted collateral" means:

33 (a) Oil, gas or other minerals that are subject to a security interest
34 that:

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

37 (ii) Attaches to the minerals as extracted; or

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

41 7. "Authenticate" means:

42 (a) To sign; or

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

1 8. "Bank" means an organization that is engaged in the business of
2 banking. Bank includes savings banks, savings and loan associations, credit
3 unions and trust companies.

4 9. "Cash proceeds" means proceeds that are money, checks, deposit
5 accounts or the like.

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

11 11. "Chattel paper" means a record or records that evidence both a
12 monetary obligation and a security interest in specific goods, a security
13 interest in specific goods and software used in the goods or, A SECURITY
14 INTEREST IN SPECIFIC GOODS AND LICENSE OF SOFTWARE USED IN THE GOODS, a lease
15 of specific goods OR A LEASE OF SPECIFIC GOODS AND LICENSE OF SOFTWARE USED
16 IN THE GOODS. IN THIS PARAGRAPH, "MONETARY OBLIGATION" MEANS A MONETARY
17 OBLIGATION SECURED BY THE GOODS OR OWED UNDER A LEASE OF THE GOODS AND
18 INCLUDES A MONETARY OBLIGATION WITH RESPECT TO SOFTWARE USED IN THE
19 GOODS. Chattel paper does not include charters or other contracts involving
20 the use or hire of a vessel OR RECORDS THAT EVIDENCE A RIGHT TO PAYMENT
21 ARISING OUT OF THE USE OF A CREDIT OR CHARGE CARD OR INFORMATION CONTAINED
22 ON OR FOR USE WITH THE CARD. If a transaction is evidenced both by
23 ~~a security agreement or lease and by~~ RECORDS THAT INCLUDE an instrument or
24 series of instruments, the group of records taken together constitutes
25 chattel paper.

26 12. "Collateral" means the property subject to a security interest or
27 agricultural lien. Collateral includes:

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

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

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

32 13. "Commercial tort claim" means a claim arising in tort with respect
33 to which:

34 (a) The claimant is an organization; or

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

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

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

39 14. "Commodity account" means an account maintained by a commodity
40 intermediary in which a commodity contract is carried for a commodity
41 customer.

42 15. "Commodity contract" means a commodity futures contract, an option
43 on a commodity futures contract, a commodity option or another contract if
44 the contract or option is:

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

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

7 16. "Commodity customer" means a person for which a commodity
8 intermediary carries a commodity contract on its books.

9 17. "Commodity intermediary" means a person that:

10 (a) Is registered as a futures commission merchant under federal
11 commodities law; or

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

15 18. "Communicate" means:

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

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

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

21 19. "Consignee" means a merchant to which goods are delivered in a
22 consignment.

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

25 (a) The merchant:

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

28 (ii) Is not an auctioneer; and

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

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

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

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

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

38 22. "Consumer debtor" means a debtor in a consumer transaction.

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

41 24. "Consumer goods transaction" means a consumer transaction in which:

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

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

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

4 26. "Consumer transaction" means a transaction in which an individual
5 incurs an obligation primarily for personal, family or household purposes,
6 a security interest secures the obligation and the collateral is held or
7 acquired primarily for personal, family or household purposes. Consumer
8 transaction includes consumer goods transactions.

9 27. "Continuation statement" means an amendment of a financing
10 statement that:

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

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

15 28. "Debtor" means:

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

18 (b) A seller of accounts, chattel paper, payment intangibles or
19 promissory notes; or

20 (c) A consignee.

21 29. "Deposit account" means a demand, time, savings, passbook or
22 similar account maintained with a bank. Deposit account does not include
23 investment property or accounts evidenced by an instrument.

24 30. "Document" means a document of title or a receipt of the type
25 described in section 47-7201, subsection B.

26 31. "Electronic chattel paper" means chattel paper evidenced by a
27 record or records consisting of information stored in an electronic medium.

28 32. "Encumbrance" means a right, other than an ownership interest, in
29 real property. Encumbrance includes mortgages and other liens on real
30 property.

31 33. "Equipment" means goods other than inventory, farm products or
32 consumer goods.

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

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

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

37 (ii) Aquatic goods produced in aquacultural operations;

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

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

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

42 35. "Farming operation" means raising, cultivating, propagating,
43 fattening, grazing or any other farming, livestock or aquacultural operation.

44 36. "File number" means the number assigned to an initial financing
45 statement pursuant to section 47-9519, subsection A.

1 37. "Filing office" means an office designated in section 47-9501 as
2 the place to file a financing statement.

3 38. "Filing office rule" means a rule adopted pursuant to section
4 47-9526.

5 39. "Financing statement" means a record or records composed of an
6 initial financing statement and any filed record relating to the initial
7 financing statement.

8 40. "Fixture filing" means the filing of a financing statement covering
9 goods that are or are to become fixtures and satisfying section 47-9502,
10 subsections A and B. Fixture filing includes the filing of a financing
11 statement covering goods of a transmitting utility that are or are to become
12 fixtures.

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

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

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

23 44. "Goods" means all things that are movable when a security interest
24 attaches.

25 (a) Goods includes:

26 (i) Fixtures;

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

29 (iii) The unborn young of animals;

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

32 (v) Manufactured homes.

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

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

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

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

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

1 45. "Governmental unit" means a subdivision, agency, department,
2 county, parish, municipality or other unit of the government of the United
3 States, a state or a foreign country. Governmental unit includes an
4 organization having a separate corporate OR LEGAL existence if the
5 organization is eligible to issue debt ~~on which interest is exempt from~~
6 ~~income taxation under the laws of the United States~~ OR INCUR OBLIGATIONS THE
7 INTEREST ON WHICH IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX
8 PURPOSES.

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

12 47. "Instrument" means a negotiable instrument or any other writing
13 that evidences a right to the payment of a monetary obligation, is not itself
14 a security agreement or lease and is of a type that in the ordinary course
15 of business is transferred by delivery with any necessary indorsement or
16 assignment. Instrument does not include:

- 17 (a) Investment property;
18 (b) Letters of credit; or
19 (c) Writings that evidence a right to payment arising out of the use
20 of a credit or charge card or information contained on or for use with the
21 card.

22 48. "Inventory" means goods, other than farm products, that:

- 23 (a) Are leased by a person as lessor;
24 (b) Are held by a person for sale or lease or to be furnished under
25 a contract of service;
26 (c) Are furnished by a person under a contract of service; or
27 (d) Consist of raw materials, work in process or materials used or
28 consumed in a business.

29 49. "Investment property" means a security, whether certificated or
30 uncertificated, security entitlement, securities account, commodity contract
31 or commodity account.

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

35 51. "Letter-of-credit right" means a right to payment or performance
36 under a letter of credit, whether or not the beneficiary has demanded or is
37 at the time entitled to demand payment or performance. Letter-of-credit
38 right does not include the right of a beneficiary to demand payment or
39 performance under a letter of credit.

40 52. "Lien creditor" means:

- 41 (a) A creditor that has acquired a lien on the property involved by
42 attachment, levy or the like;
43 (b) An assignee for benefit of creditors from the time of assignment;
44 (c) A trustee in bankruptcy from the date of the filing of the
45 petition; or

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

2 53. "Manufactured home" means a structure that is transportable in one
3 or more sections and that, in the traveling mode, is eight body feet or more
4 in width or forty body feet or more in length, or, when erected on site, is
5 three hundred twenty or more square feet, and that is built on a permanent
6 chassis and designed to be used as a dwelling with or without a permanent
7 foundation when connected to the required utilities, and includes the
8 plumbing, heating, air conditioning and electrical systems contained therein.
9 Manufactured home includes any structure that meets all of the requirements
10 of this paragraph except the size requirements and with respect to which the
11 manufacturer voluntarily files a certification required by the United States
12 secretary of housing and urban development and complies with the standards
13 established under title 42 of the United States Code.

14 54. "Manufactured home transaction" means a secured transaction:

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

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

19 55. "Mortgage" means a consensual interest in real property, including
20 fixtures, that secures payment or performance of an obligation.

21 56. "New debtor" means a person that becomes bound as debtor under
22 section 47-9203, subsection D by a security agreement previously entered into
23 by another person.

24 57. "New value" means money, money's worth in property, services or new
25 credit or release by a transferee of an interest in property previously
26 transferred to the transferee. New value does not include an obligation
27 substituted for another obligation.

28 58. "Noncash proceeds" means proceeds other than cash proceeds.

29 59. "Obligor" means a person that, with respect to an obligation
30 secured by a security interest in or an agricultural lien on the collateral,
31 owes payment or other performance of the obligation, has provided property
32 other than the collateral to secure payment or other performance of the
33 obligation or is otherwise accountable in whole or in part for payment or
34 other performance of the obligation. Obligor does not include issuers or
35 nominated persons under a letter of credit.

36 60. "Original debtor", EXCEPT AS USED IN SECTION 47-9310, SUBSECTION
37 C, means a person that, as debtor, entered into a security agreement to which
38 a new debtor has become bound under section 47-9203, subsection D.

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

41 62. "Person related to", with respect to an individual, means:

42 (a) The spouse of the individual;

43 (b) A brother, brother-in-law, sister or sister-in-law of the
44 individual;

1 (c) An ancestor or lineal descendant of the individual or the
2 individual's spouse; or

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

5 63. "Person related to", with respect to an organization, means:

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

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

10 (c) An officer or director of, or a person performing similar
11 functions with respect to, a person described in subdivision (a) of this
12 paragraph;

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

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

18 64. "Proceeds", EXCEPT AS USED IN SECTION 47-9609, SUBSECTION B, means
19 the following property:

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

22 (b) Whatever is collected on, or distributed on account of,
23 collateral;

24 (c) Rights arising out of collateral;

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

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

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

36 66. "Proposal" means a record authenticated by a secured party that
37 includes the terms on which the secured party is willing to accept collateral
38 in full or partial satisfaction of the obligation it secures pursuant to
39 sections 47-9620, 47-9621 and 47-9622.

40 ~~67. "Public finance transaction" means a secured transaction in~~
41 ~~connection with which:~~

42 ~~(a) Debt securities are issued;~~

43 ~~(b) All or a portion of the securities issued have an initial stated~~
44 ~~maturity of at least twenty years; and~~

1 ~~(c) The debtor, obligor, secured party, account debtor or other person~~
2 ~~obligated on collateral, assignor or assignee of a secured obligation or~~
3 ~~assignor or assignee of a security interest is a state or a governmental unit~~
4 ~~of a state.~~

5 ~~68.~~ 67. "Pursuant to commitment", with respect to an advance made or
6 other value given by a secured party, means pursuant to the secured party's
7 obligation, whether or not a subsequent event of default or other event not
8 within the secured party's control has relieved or may relieve the secured
9 party from its obligation.

10 ~~69.~~ 68. "Record", except as used in "for record", "of record", "record
11 or legal title", and "record owner", means information that is inscribed on
12 a tangible medium or that is stored in an electronic or other medium and is
13 retrievable in perceivable form.

14 ~~70.~~ 69. "Registered organization" means an organization organized
15 solely under the law of a single state or the United States and as to which
16 the state or the United States must maintain a public record showing the
17 organization to have been organized.

18 ~~71.~~ 70. "Secondary obligor" means an obligor to the extent that:

- 19 (a) The obligor's obligation is secondary; or
20 (b) The obligor has a right of recourse with respect to an obligation
21 secured by collateral against the debtor, another obligor or property of
22 either.

23 ~~72.~~ 71. "Secured party" means:

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

27 (b) A person that holds an agricultural lien;

28 (c) A consignor;

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

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

34 (f) A person that holds a security interest arising under section
35 47-2401, 47-2505, 47-2711, 47-2A508, 47-4210 or 47-5118.

36 ~~73.~~ 72. "Security agreement" means an agreement that creates or
37 provides for a security interest.

38 ~~74.~~ 73. "Send", in connection with a record or notification, means:

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

43 (b) To cause the record or notification to be received within the time
44 that it would have been received if properly sent under subdivision (a) of
45 this paragraph.

1 ~~75.~~ 74. "Software" means a computer program and any supporting
2 information provided in connection with a transaction relating to the
3 program. Software does not include a computer program that is included in
4 the definition of goods.

5 ~~76.~~ 75. "State" means a state of the United States, the District of
6 Columbia, Puerto Rico, the United States Virgin Islands or any territory or
7 insular possession subject to the jurisdiction of the United States.

8 ~~77.~~ 76. "Supporting obligation" means a letter-of-credit right or
9 secondary obligation that supports the payment or performance of an account,
10 chattel paper, a document, a general intangible, an instrument or investment
11 property.

12 ~~78.~~ 77. "Tangible chattel paper" means chattel paper evidenced by a
13 record or records consisting of information that is inscribed on a tangible
14 medium.

15 ~~79.~~ 78. "Termination statement" means an amendment of a financing
16 statement that:

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

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

21 ~~80.~~ 79. "Transmitting utility" means a person primarily engaged in the
22 business of:

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

24 (b) Transmitting communications electrically, electromagnetically or
25 by light;

26 (c) Transmitting goods by pipeline or sewer; or

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

29 B. The following definitions in other sections apply to this chapter:

- | | | |
|----|---|------------------|
| 30 | 1. "Applicant" | Section 47-5102 |
| 31 | 2. "Beneficiary" | Section 47-5102 |
| 32 | 3. "Broker" | Section 47-8102 |
| 33 | 4. "Certificated security" | Section 47-8102 |
| 34 | 5. "Check" | Section 47-3104 |
| 35 | 6. "Clearing corporation" | Section 47-8102 |
| 36 | 7. "Contract for sale" | Section 47-2106 |
| 37 | 8. "Customer" | Section 47-4104 |
| 38 | 9. "Entitlement holder" | Section 47-8102 |
| 39 | 10. "Financial asset" | Section 47-8102 |
| 40 | 11. "Holder in due course" | Section 47-3302 |
| 41 | 12. "Issuer" (with respect to a letter of | |
| 42 | credit or letter-of-credit right) | Section 47-5102 |
| 43 | 13. "Issuer" (with respect to a security) | Section 47-8201 |
| 44 | 14. "Lease" | Section 47-2A103 |
| 45 | 15. "Lease agreement" | Section 47-2A103 |

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

21 C. In addition chapter 1 of this title contains general definitions
22 and principles of construction and interpretation applicable throughout this
23 chapter.

24 Sec. 4. Section 47-9104, Arizona Revised Statutes, as added by Laws
25 1999, chapter 203, section 35, is amended to read:

26 47-9104. Control of deposit account

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

28 1. The secured party is the bank with which the deposit account is
29 maintained;

30 2. The debtor, secured party and bank have agreed in an authenticated
31 record that the bank will comply with instructions originated by the secured
32 party directing disposition of the funds in the DEPOSIT account without
33 further consent by the debtor; or

34 3. The secured party becomes the bank's customer with respect to the
35 deposit account.

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

39 Sec. 5. Section 47-9109, Arizona Revised Statutes, as added by Laws
40 1999, chapter 203, section 35, is amended to read:

41 47-9109. Scope

42 A. Except as otherwise provided in subsections C and D of this
43 section, this chapter applies to:

44 1. A transaction, regardless of its form, that creates a security
45 interest in personal property or fixtures by contract;

- 1 2. An agricultural lien;
- 2 3. A sale of accounts, chattel paper, payment intangibles or
- 3 promissory notes;
- 4 4. A consignment;
- 5 5. A security interest arising under section 47-2401 or 47-2505 or
- 6 section 47-2711, subsection C or section 47-2A508, subsection E, as provided
- 7 in section 47-9110; and
- 8 6. A security interest arising under section 47-4210 or 47-5118.
- 9 B. The application of this article to a security interest in a secured
- 10 obligation is not affected by the fact that the obligation is itself secured
- 11 by a transaction or interest to which this chapter does not apply.
- 12 C. This chapter does not apply to the extent that:
- 13 1. A statute, regulation or treaty of the United States preempts this
- 14 article;
- 15 ~~2. Another statute of this state expressly governs the creation,~~
- 16 ~~perfection, priority or enforcement of a security interest created by this~~
- 17 ~~state or a governmental unit of this state;~~
- 18 ~~3. 2. A statute of another state, a foreign country or a governmental~~
- 19 ~~unit of another state or a foreign country, other than a statute generally~~
- 20 ~~applicable to security interests, expressly governs creation, perfection,~~
- 21 ~~priority or enforcement of a security interest created by that state, country~~
- 22 ~~or governmental unit; or~~
- 23 ~~4. 3. The rights of a transferee beneficiary or nominated person~~
- 24 ~~under a letter of credit are independent and superior under section 47-5114.~~
- 25 D. This chapter does not apply to:
- 26 1. A landlord's lien, other than an agricultural lien;
- 27 2. A lien, other than an agricultural lien, given by statute or other
- 28 rule of law for services or materials, but section 47-9333 applies with
- 29 respect to priority of the lien;
- 30 3. An assignment of a claim for wages, salary or other compensation
- 31 of an employee;
- 32 4. A sale of accounts, chattel paper, payment intangibles or
- 33 promissory notes as part of a sale of the business out of which they arose;
- 34 5. An assignment of accounts, chattel paper, payment intangibles or
- 35 promissory notes that is for the purpose of collection only;
- 36 6. An assignment of a right to payment under a contract to an assignee
- 37 that is also obligated to perform under the contract;
- 38 7. An assignment of a single account, payment intangible or promissory
- 39 note to an assignee in full or partial satisfaction of a preexisting
- 40 indebtedness;
- 41 8. A transfer of an interest in or an assignment of a claim under a
- 42 policy of insurance, other than an assignment by or to a health care provider
- 43 of a health-care-insurance receivable and any subsequent assignment of the
- 44 right to payment, but sections 47-9315 and 47-9322 apply with respect to
- 45 proceeds and priorities in proceeds;

1 9. An assignment of a right represented by a judgment, other than a
2 judgment taken on a right to payment that was collateral;

3 10. A right of recoupment or setoff, but:

4 (a) Section 47-9340 applies with respect to the effectiveness of
5 rights of recoupment or setoff against deposit accounts; and

6 (b) Section 47-9404 applies with respect to defenses or claims of an
7 account debtor;

8 11. The creation or transfer of an interest in or lien on real
9 property, including a lease or rents thereunder, except to the extent that
10 provision is made for:

11 (a) Liens on real property in sections 47-9203 and 47-9308;

12 (b) Fixtures in section 47-9334;

13 (c) Fixture filings in sections 47-9501, 47-9502, 47-9512, 47-9516 and
14 47-9519; and

15 (d) Security agreements covering personal and real property in section
16 47-9604;

17 12. An assignment of a claim arising in tort, other than a commercial
18 tort claim, but sections 47-9315 and 47-9322 apply with respect to proceeds
19 and priorities in proceeds; or

20 13. An assignment of a deposit account in a consumer transaction, but
21 sections 47-9315 and 47-9322 apply with respect to proceeds and priorities
22 in proceeds;

23 14. A TRANSFER, PLEDGE, ASSIGNMENT, GRANT OR SIMILAR ACTION BY THIS
24 STATE, ANOTHER STATE OR A GOVERNMENTAL UNIT OF THIS STATE OR ANOTHER STATE;

25 15. A CLAIM OR RIGHT TO RECEIVE COMPENSATION FOR INJURIES OR SICKNESS
26 AS DESCRIBED IN 26 UNITED STATES CODE SECTION 104a(1) OR (2); OR

27 16. A CLAIM OR RIGHT TO RECEIVE BENEFITS UNDER A SPECIAL NEEDS TRUST
28 AS DESCRIBED IN 42 UNITED STATES CODE SECTION 1396p(d)(4).

29 Sec. 6. Section 47-9210, Arizona Revised Statutes, is amended to read:
30 47-9210. Request for accounting; request regarding list of

31 collateral or statement of account

32 A. In this section:

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

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

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

44 4. "Request regarding a statement of account" means a record
45 authenticated by a debtor, requesting that the recipient approve or correct

1 a statement indicating what the debtor believes to be the aggregate amount
2 of unpaid obligations secured by collateral as of a specified date and
3 reasonably identifying the transaction or relationship that is the subject
4 of the request.

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

9 1. In the case of a request for an accounting, by authenticating and
10 sending to the debtor an accounting; and

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

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

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

24 1. Disclaiming any interest in the collateral; and

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

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

33 1. Disclaiming any interest in the obligations; and

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

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

1 Sec. 7. Section 47-9311, Arizona Revised Statutes, as added by Laws
2 1999, chapter 203, section 35, is amended to read:

3 47-9311. Perfection of security interests in property subject
4 to certain statutes, regulations and treaties

5 A. Except as otherwise provided in subsection D of this section, the
6 filing of a financing statement is not necessary or effective to perfect a
7 security interest in property subject to:

8 1. A statute, regulation or treaty of the United States whose
9 requirements for a security interest's obtaining priority over the rights of
10 a lien creditor with respect to the property preempt section 47-9310,
11 subsection A;

12 2. A statute of this state that provides for central filing of or that
13 requires indication on a certificate of title of a security interest in the
14 property, including title 28, chapter 7, article 4, and that requires
15 indication of the security interest on a certificate of title for a vehicle
16 required to be titled and registered under section 28-2153 and for a mobile
17 home required to be titled under section 28-2063; or

18 3. A certificate of title statute of another jurisdiction that
19 provides for a security interest to be indicated on the certificate as a
20 condition or result of the security interest's obtaining priority over the
21 rights of a lien creditor with respect to the property.

22 B. Compliance with the requirements of a statute, regulation or treaty
23 described in subsection A of this section for obtaining priority over the
24 rights of a lien creditor is equivalent to the filing of a financing
25 statement under this chapter. Except as otherwise provided in subsection D
26 of this section and section 47-9313 and section 47-9316, subsections D and
27 E for goods covered by a certificate of title, a security interest in
28 property subject to a statute, regulation or treaty described in subsection
29 A of this section may be perfected only by compliance with those
30 requirements, and a security interest so perfected remains perfected
31 notwithstanding a change in the use or transfer of possession of the
32 collateral.

33 C. Except as otherwise provided in subsection D of this section and
34 section 47-9316, subsections D and E, duration and renewal of perfection of
35 a security interest perfected by compliance with the requirements prescribed
36 by a statute, regulation or treaty described in subsection A of this section
37 are governed by the statute, regulation or treaty. In other respects, the
38 security interest is subject to this chapter.

39 D. During any period in which collateral SUBJECT TO A STATUTE
40 SPECIFIED IN SUBSECTION A, PARAGRAPH 2 OF THIS SECTION is inventory held for
41 sale or lease by a person or leased by that person as lessor and that person
42 is in the business of selling ~~or leasing~~ goods of that kind, this section
43 does not apply to a security interest in that collateral created by that
44 person as ~~debtor~~.

1 Sec. 8. Section 47-9317, Arizona Revised Statutes, as added by Laws
2 1999, chapter 203, section 35, is amended to read:

3 47-9317. Interests that take priority over or take free of
4 security interest or agricultural lien

5 A. An ~~unperfected~~ A security interest or agricultural lien is
6 subordinate to the rights of:

7 1. A person entitled to priority under section 47-9322; and

8 2. EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION E OF THIS SECTION, a
9 person that becomes a lien creditor before the earlier of the time:

10 (a) The security interest or agricultural lien is perfected; or

11 (b) ONE OF THE CONDITIONS SPECIFIED IN SECTION 47-9203, SUBSECTION B,
12 PARAGRAPH 3 IS MET AND a financing statement covering the collateral is
13 filed.

14 B. Except as otherwise provided in subsection E of this section, a
15 buyer, other than a secured party, of tangible chattel paper, documents,
16 goods, instruments or a security certificate takes free of a security
17 interest or agricultural lien if the buyer gives value and receives delivery
18 of the collateral without knowledge of the security interest or agricultural
19 lien and before it is perfected.

20 C. Except as otherwise provided in subsection E of this section, a
21 lessee of goods takes free of a security interest or agricultural lien if the
22 lessee gives value and receives delivery of the collateral without knowledge
23 of the security interest or agricultural lien and before it is perfected.

24 D. A licensee of a general intangible or a buyer, other than a secured
25 party, of accounts, electronic chattel paper, general intangibles or
26 investment property other than a certificated security takes free of a
27 security interest if the licensee or buyer gives value without knowledge of
28 the security interest and before it is perfected.

29 E. Except as otherwise provided in sections 47-9320 and 47-9321, if
30 a person files a financing statement with respect to a purchase money
31 security interest before or within twenty days after the debtor receives
32 delivery of the collateral, the security interest takes priority over the
33 rights of a buyer, lessee or lien creditor that arise between the time the
34 security interest attaches and the time of filing.

35 Sec. 9. Section 47-9323, Arizona Revised Statutes, is amended to read:
36 47-9323. Future advances

37 A. Except as otherwise provided in subsection C of this section, for
38 purposes of determining the priority of a perfected security interest under
39 section 47-9322, subsection A, paragraph 1, perfection of the security
40 interest dates from the time an advance is made to the extent that the
41 security interest secures an advance that:

42 1. Is made while the security interest is perfected only:

43 (a) Under section 47-9309 when it attaches; or

44 (b) Temporarily under section 47-9312, subsection E, F or G; and

1 2. Is not made pursuant to a commitment entered into before or while
2 the security interest is perfected by a method other than under section
3 47-9309 or SECTION 47-9312, subsection E, F or G.

4 B. Except as otherwise provided in subsection C of this section, a
5 security interest is subordinate to the rights of a person that becomes a
6 lien creditor ~~while the security interest is perfected only to the extent~~
7 that it THE SECURITY INTEREST secures advances AN ADVANCE made more than
8 forty-five days after the person becomes a lien creditor unless the advance
9 is made:

10 1. Without knowledge of the lien; or

11 2. Pursuant to a commitment entered into without knowledge of the
12 lien.

13 C. Subsections A and B of this section do not apply to a security
14 interest held by a secured party that is a buyer of accounts, chattel paper,
15 payment intangibles or promissory notes or a consignor.

16 D. Except as otherwise provided in subsection E of this section, a
17 buyer of goods other than a buyer in ordinary course of business takes free
18 of a security interest to the extent that it secures advances made after the
19 earlier of:

20 1. The time the secured party acquires knowledge of the buyer's
21 purchase; or

22 2. Forty-five days after the purchase.

23 E. Subsection D of this section does not apply if the advance is made
24 pursuant to a commitment entered into without knowledge of the buyer's
25 purchase and before the expiration of the forty-five day period.

26 F. Except as otherwise provided in subsection G of this section, a
27 lessee of goods, other than a lessee in ordinary course of business, takes
28 the leasehold interest free of a security interest to the extent that it
29 secures advances made after the earlier of:

30 1. The time the secured party acquires knowledge of the lease; or

31 2. Forty-five days after the lease contract becomes enforceable.

32 G. Subsection F of this section does not apply if the advance is made
33 pursuant to a commitment entered into without knowledge of the lease and
34 before the expiration of the forty-five day period.

35 Sec. 10. Section 47-9331, Arizona Revised Statutes, is amended to
36 read:

37 47-9331. Priority of rights of purchasers of instruments,
38 documents and securities under other chapters;
39 priority of interests in financial assets and
40 security entitlements under chapter 8 of this title

41 A. This article does not limit the rights of a holder in due course
42 of a negotiable instrument, a holder to which a negotiable document of title
43 has been duly negotiated or a protected purchaser of a security. These
44 holders or purchasers take priority over an earlier security interest, even
45 if perfected, to the extent provided in chapters 3, 7 and 8 of this title.

1 B. This chapter does not limit the rights of or impose liability on
2 a person to the extent that the person is protected against the assertion of
3 ~~an~~ adverse A claim under chapter 8 of this title.

4 C. Filing under this article does not constitute notice of a claim or
5 defense to the holders, or purchasers, or persons described in subsections
6 A and B.

7 Sec. 11. Section 47-9334, Arizona Revised Statutes, is amended to
8 read:

9 47-9334. Priority of security interests in fixtures and crops

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

14 B. This chapter does not prevent creation of an encumbrance on
15 fixtures under real property law.

16 C. In cases not governed by subsections D through H of this section,
17 a security interest in fixtures is subordinate to a conflicting interest of
18 an encumbrancer or owner of the related real property other than the debtor.

19 D. Except as otherwise provided in subsection H of this section, a
20 perfected security interest in fixtures has priority over a conflicting
21 interest of an encumbrancer or owner of the real property if the debtor has
22 an interest of record in or is in possession of the real property and:

23 1. The security interest is a purchase money security interest;

24 2. The interest of the encumbrancer or owner arises before the goods
25 become fixtures; and

26 3. The security interest is perfected by a fixture filing before the
27 goods become fixtures or within twenty days thereafter.

28 E. A perfected security interest in fixtures has priority over a
29 conflicting interest of an encumbrancer or owner of the real property if:

30 1. The debtor has an interest of record in the real property or is in
31 possession of the real property and the security interest:

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

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

36 2. Before the goods become fixtures, the security interest is
37 perfected by any method permitted by this chapter and the fixtures are
38 readily removable:

39 (a) Factory or office machines;

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

42 (c) Replacements of domestic appliances that are consumer goods;

43 3. The conflicting interest is a lien on the real property obtained
44 by legal or equitable proceedings after the security interest was perfected
45 by any method permitted by this chapter; or

1 4. The security interest is:

2 (a) Created in a manufactured home in a manufactured home transaction;
3 and

4 (b) Perfected pursuant to a statute described in section 47-9311,
5 subsection A, paragraph 2.

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

9 1. The encumbrancer or owner has consented, in an authenticated
10 record, to the security interest or disclaimed an interest in the goods as
11 fixtures; or

12 2. The debtor has a right to remove the goods as against the
13 encumbrancer or owner.

14 G. The priority of the security interest under subsection F, PARAGRAPH
15 2 of this section continues for a reasonable time if the debtor's right to
16 remove the goods as against the encumbrancer or owner terminates.

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

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

31 Sec. 12. Section 47-9336, Arizona Revised Statutes, is amended to
32 read:

33 47-9336. Commingled goods

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

37 B. A security interest does not exist in commingled goods as such.
38 However, a security interest may attach to a product or mass that results
39 when goods become commingled goods.

40 C. If collateral becomes commingled goods, a security interest
41 attaches to the product or mass.

42 D. If a security interest in collateral is perfected before the
43 collateral becomes commingled goods, the security interest that attaches to
44 the product or mass under subsection C is perfected.

1 E. Except as otherwise provided in subsection F, the other provisions
2 of this article determine the priority of a security interest that attaches
3 to the product or mass under subsection C.

4 F. If more than one security interest attaches to the product or mass
5 under subsection C, the following rules determine priority:

6 1. A security interest that is perfected under subsection D has
7 priority over a security interest that is unperfected at the time the
8 collateral becomes commingled goods.

9 2. If more than one security interest is perfected under subsection
10 D, the security interests rank equally in proportion to THE value of the
11 collateral at the time it became commingled goods.

12 Sec. 13. Section 47-9406, Arizona Revised Statutes, as added by Laws
13 1999, chapter 203, section 35, is amended to read:

14 47-9406. Discharge of account debtor; notification of
15 assignment; identification and proof of assignment;
16 restrictions on assignment of accounts, chattel
17 paper, payment intangibles and promissory notes
18 ineffective

19 A. Subject to subsections B through H of this section, an account
20 debtor on an account, chattel paper or a payment intangible may discharge its
21 obligation by paying the assignor until, but not after, the account debtor
22 receives a notification, authenticated by the assignor or the assignee, that
23 the amount due or to become due has been assigned and that payment is to be
24 made to the assignee. After receipt of the notification, the account debtor
25 may discharge its obligation by paying the assignee and may not discharge the
26 obligation by paying the assignor.

27 B. Subject to subsection H of this section, notification is
28 ineffective under subsection A of this section:

29 1. If it does not reasonably identify the rights assigned;

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

34 3. At the option of an account debtor, if the notification notifies
35 the account debtor to make less than the full amount of any installment or
36 other periodic payment to the assignee, even if:

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

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

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

42 C. Subject to subsection H of this section, if requested by the
43 account debtor, an assignee shall seasonably furnish reasonable proof that
44 the assignment has been made. Unless the assignee complies, the account
45 debtor may discharge its obligation by paying the assignor, even if the

1 account debtor has received a notification under subsection A of this
2 section.

3 D. Except as otherwise provided in subsection E of this section and
4 sections 47-2A303 and 47-9407, and subject to subsection H of this section,
5 a term in an agreement between an account debtor and an assignor or in a
6 promissory note is ineffective to the extent that it:

7 1. Prohibits, restricts or requires the consent of the account debtor
8 or person obligated on the promissory note to the assignment or transfer of,
9 or the creation, attachment, perfection or enforcement of a security interest
10 in, the account, chattel paper, payment intangible or promissory note; or

11 2. Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
12 attachment, perfection or enforcement of the security interest may give rise
13 to a default, breach, right of recoupment, claim, defense, termination, right
14 of termination or remedy under the account, chattel paper, payment intangible
15 or promissory note.

16 E. Subsection D of this section does not apply to the sale of a
17 payment intangible or promissory note.

18 F. Except as otherwise provided in sections 47-2A303 and 47-9407 and
19 subject to subsections H and J of this section, a rule of law, statute or
20 regulation that prohibits, restricts or requires the consent of a government,
21 governmental body or official, or account debtor to the assignment or
22 transfer of, or creation of a security interest in, an account or chattel
23 paper, is ineffective to the extent that the rule of law, statute or
24 regulation:

25 1. Prohibits, restricts or requires the consent of the government,
26 governmental body or official, or account debtor to the assignment or
27 transfer of, or the creation, attachment, perfection or enforcement of a
28 security interest in, the account or chattel paper; or

29 2. Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
30 attachment, perfection or enforcement of the security interest may give rise
31 to a default, breach, right of recoupment, claim, defense, termination, right
32 of termination or remedy under the account or chattel paper.

33 G. Subject to subsection H of this section, an account debtor shall
34 not waive or vary its option under subsection B, paragraph 3 of this section.

35 H. This section is subject to law other than this chapter that
36 establishes a different rule for an account debtor who is an individual and
37 who incurred the obligation primarily for personal, family or household
38 purposes.

39 I. This section does not apply to an assignment of a
40 health-care-insurance receivable.

41 J. This section prevails over any inconsistent provisions in any
42 statutes, rules and regulations.

1 Sec. 14. Section 47-9407, Arizona Revised Statutes, as added by Laws
2 1999, chapter 203, section 35, is amended to read:

3 47-9407. Restrictions on creation or enforcement of security
4 interest in leasehold interest or in lessor's
5 residual interest

6 A. Except as otherwise provided in subsection B of this section, a
7 term in a lease agreement is ineffective to the extent that it:

8 1. Prohibits, restricts or requires the consent of a party to the
9 lease to the ASSIGNMENT OR TRANSFER OF, OR THE creation, attachment,
10 perfection or enforcement of a security interest in, an interest of a party
11 under the lease contract or in the lessor's residual interest in the goods;
12 or

13 2. Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
14 attachment, perfection or enforcement of the security interest may give rise
15 to a default, breach, right of recoupment, claim, defense, termination, right
16 of termination or remedy under the lease.

17 B. Except as otherwise provided in section 47-2A303, subsection G, a
18 term described in subsection A, paragraph 2 of this section is effective to
19 the extent that there is:

20 1. A transfer by the lessee of the lessee's right of possession or use
21 of the goods in violation of the term; or

22 2. A delegation of a material performance of either party to the lease
23 contract in violation of the term.

24 C. The creation, attachment, perfection or enforcement of a security
25 interest in the lessor's interest under the lease contract or the lessor's
26 residual interest in the goods is not a transfer that materially impairs the
27 lessee's prospect of obtaining return performance or materially changes the
28 duty of or materially increases the burden or risk imposed on the lessee
29 within the purview of section 47-2A303, subsection D unless, and then only
30 to the extent that, enforcement actually results in a delegation of material
31 performance of the lessor. Even in that event, the creation, attachment,
32 perfection and enforcement of the security interest remain effective.

33 Sec. 15. Section 47-9408, Arizona Revised Statutes, as added by Laws
34 1999, chapter 203, section 35, is amended to read:

35 47-9408. Restrictions on assignment of promissory notes,
36 health-care-insurance receivables and certain
37 general intangibles ineffective

38 A. Except as otherwise provided in subsection B, a term in a
39 promissory note or in an agreement between an account debtor and a debtor
40 that relates to a health-care-insurance receivable or a general intangible,
41 including a contract, permit, license or franchise, and which term prohibits,
42 restricts or requires the consent of the person obligated on the promissory
43 note or the account debtor to, the assignment or transfer of, or creation,
44 attachment or perfection of a security interest in, the promissory note,

1 health-care-insurance receivable or general intangible, is ineffective to the
2 extent that the term:

3 1. Would impair the creation, attachment or perfection of a security
4 interest; or

5 2. Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
6 attachment or perfection of the security interest may give rise to a default,
7 breach, right of recoupment, claim, defense, termination, right of
8 termination or remedy under the promissory note, health-care-insurance
9 receivable or general intangible.

10 B. Subsection A applies to a security interest in a payment intangible
11 or promissory note only if the security interest arises out of a sale of the
12 payment intangible or promissory note.

13 C. A rule of law, statute or regulation that prohibits, restricts or
14 requires the consent of a government, governmental body or official, person
15 obligated on a promissory note or account debtor to the assignment or
16 transfer of, or creation of a security interest in, a promissory note,
17 health-care-insurance receivable or general intangible, including a contract,
18 permit, license or franchise between an account debtor and a debtor, is
19 ineffective to the extent that the rule of law, statute or regulation:

20 1. Would impair the creation, attachment or perfection of a security
21 interest; or

22 2. Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
23 attachment or perfection of the security interest may give rise to a default,
24 breach, right of recoupment, claim, defense, termination, right of
25 termination or remedy under the promissory note, health-care-insurance
26 receivable or general intangible.

27 D. To the extent that a term in a promissory note or in an agreement
28 between an account debtor and a debtor that relates to a
29 health-care-insurance receivable or general intangible or a rule of law,
30 statute or regulation described in subsection C would be effective under law
31 other than this chapter but is ineffective under subsection A or C, the
32 creation, attachment or perfection of a security interest in the promissory
33 note, health-care-insurance receivable or general intangible:

34 1. Is not enforceable against the person obligated on the promissory
35 note or the account debtor;

36 2. Does not impose a duty or obligation on the person obligated on the
37 promissory note or the account debtor;

38 3. Does not require the person obligated on the promissory note or the
39 account debtor to recognize the security interest, pay or render performance
40 to the secured party or accept payment or performance from the secured party;

41 4. Does not entitle the secured party to use or assign the debtor's
42 rights under the promissory note, health-care-insurance receivable or general
43 intangible, including any related information or materials furnished to the
44 debtor in the transaction giving rise to the promissory note,
45 health-care-insurance receivable or general intangible;

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

3 Sec. 18. Section 47-9509, Arizona Revised Statutes, is amended to
4 read:

5 47-9509. Persons entitled to file a record

6 A. A person may file an initial financing statement, amendment that
7 adds collateral covered by a financing statement or amendment that adds a
8 debtor to a financing statement only if:

9 1. The debtor authorizes the filing in an authenticated record OR
10 PURSUANT TO SUBSECTION B OR C OF THIS SECTION; or

11 2. The person holds an agricultural lien that has become effective at
12 the time of filing and the financing statement covers only collateral in
13 which the person holds an agricultural lien.

14 B. By authenticating or becoming bound as debtor by a security
15 agreement, a debtor or new debtor authorizes the filing of an initial
16 financing statement, and an amendment, covering:

17 1. The collateral described in the security agreement; and

18 2. Property that becomes collateral under section 47-9315, subsection
19 A, paragraph 2, whether or not the security agreement expressly covers
20 proceeds.

21 C. A person may file an amendment other than an amendment that adds
22 collateral covered by a financing statement or an amendment that adds a
23 debtor to a financing statement only if:

24 1. The secured party of record authorizes the filing; or

25 2. The amendment is a termination statement for a financing statement
26 as to which the secured party of record has failed to file or send a
27 termination statement as required by section 47-9513, subsection A or C, the
28 debtor authorizes the filing and the termination statement indicates that the
29 debtor authorized it to be filed.

30 D. If there is more than one secured party of record for a financing
31 statement, each secured party of record may authorize the filing of an
32 amendment under subsection C of this section.

33 Sec. 19. Section 47-9512, Arizona Revised Statutes, is amended to
34 read:

35 47-9512. Amendment of financing statement

36 A. Subject to section 47-9509, a person may add or delete collateral
37 covered by, continue or terminate the effectiveness of or, subject to
38 subsection E of this section, otherwise amend the information provided in a
39 financing statement by filing an amendment that:

40 1. Identifies, by its file number, the initial financing statement to
41 which the amendment relates; and

42 2. If the amendment relates to an initial financing statement filed
43 or recorded in a filing office described in section 47-9501, subsection A,
44 paragraph 1, provides the name of the debtor provided in the initial

1 financing statement and the information specified in section 47-9502,
2 subsection B.

3 B. Except as otherwise provided in section 47-9515, the filing of an
4 amendment does not extend the period of effectiveness of the financing
5 statement.

6 C. A financing statement that is amended by an amendment that adds
7 collateral is effective as to the added collateral only from the date of the
8 filing of the amendment.

9 D. A financing statement that is amended by an amendment that adds a
10 debtor is effective as to the added debtor only from the date of the filing
11 of the amendment.

12 E. An amendment is ineffective to the extent it:

13 1. Purports to delete all debtors and fails to provide the name of a
14 debtor to be covered by the financing statement; or

15 2. Purports to delete all secured parties of record and fails to
16 provide the name of a new secured party of record.

17 F. A SECURED PARTY MAY CHANGE THE NAME OR MAILING ADDRESS OF THE
18 SECURED PARTY IN MORE THAN ONE FINANCING STATEMENT BY FILING A MASTER
19 AMENDMENT SETTING FORTH THE NAME OF THE SECURED PARTY AND FILE NUMBER OF EACH
20 FINANCING STATEMENT AND THE NEW NAME OR MAILING ADDRESS OF THE SECURED PARTY.
21 THE SECURED PARTY SHALL ALSO PROVIDE FILING INFORMATION IN COMPUTER-READABLE
22 FORM PRESCRIBED BY THE SECRETARY OF STATE.

23 Sec. 20. Section 47-9513, Arizona Revised Statutes, is amended to
24 read:

25 47-9513. Termination statement

26 A. A secured party shall cause the secured party of record for a
27 financing statement to file a termination statement for the financing
28 statement if the financing statement covers consumer goods and:

29 1. There is no obligation secured by the collateral covered by the
30 financing statement and no commitment to make an advance, incur an obligation
31 or otherwise give value; or

32 2. The debtor did not authorize the filing of the initial financing
33 statement.

34 B. To comply with subsection A of this section, a secured party shall
35 cause the secured party of record to file the termination statement:

36 1. Within one month after there is no obligation secured by the
37 collateral covered by the financing statement and no commitment to make an
38 advance, incur an obligation or otherwise give value; or

39 2. If earlier, within twenty days after the secured party receives an
40 authenticated demand from a debtor.

41 C. In cases not governed by subsection A of this section, within
42 twenty days after a secured party receives an authenticated demand from a
43 debtor, the secured party shall cause the secured party of record for a
44 financing statement to send to the debtor a termination statement for the

1 financing statement or file the termination statement in the filing office
2 if:

3 1. Except in the case of a financing statement covering accounts or
4 chattel paper that has been sold or goods that are the subject of a
5 consignment, there is no obligation secured by the collateral covered by the
6 financing statement and no commitment to make an advance, incur an obligation
7 or otherwise give value;

8 2. The financing statement covers accounts or chattel paper that has
9 been sold but as to which the account debtor or other person obligated has
10 discharged its obligation;

11 3. The financing statement covers goods that were the subject of a
12 consignment to the debtor but are not in the debtor's possession; or

13 4. The debtor did not authorize the filing of the initial financing
14 statement.

15 D. Except as otherwise provided in section 47-9510, upon the filing
16 of a termination statement with the filing office, the financing statement
17 to which the termination statement relates ceases to be effective. EXCEPT
18 AS OTHERWISE PROVIDED IN SECTION 47-9510, FOR PURPOSES OF SECTION 47-9519,
19 SUBSECTION G, SECTION 47-9522, SUBSECTION A AND SECTION 47-9523, SUBSECTION
20 C, THE FILING WITH THE FILING OFFICE OF A TERMINATION STATEMENT RELATING TO
21 A FINANCING STATEMENT THAT INDICATES THAT THE DEBTOR IS A TRANSMITTING
22 UTILITY ALSO CAUSES THE EFFECTIVENESS OF THE FINANCING STATEMENT TO LAPSE.

23 Sec. 21. Section 47-9514, Arizona Revised Statutes, is amended to
24 read:

25 47-9514. Assignment of powers of secured party of record

26 A. Except as otherwise provided in subsection C of this section, an
27 initial financing statement may reflect an assignment of all of the secured
28 party's power to authorize an amendment to the financing statement by
29 providing the name and mailing address of the assignee as the name and
30 address of the secured party.

31 B. Except as otherwise provided in subsection C of this section, a
32 secured party of record may assign of record all or part of its power to
33 authorize an amendment to a financing statement by filing in the filing
34 office an amendment of the financing statement that:

35 1. Identifies, by its file number, the initial financing statement to
36 which it relates;

37 2. Provides the name of the assignor; and

38 3. Provides the name and mailing address of the assignee.

39 C. An assignment of record of a security interest in a fixture covered
40 by a record of a mortgage that is effective as a financing statement filed
41 as a fixture filing under section 47-9502, subsection C may be made only by
42 an assignment of record of the mortgage in the manner provided by law of this
43 state other than this title.

44 D. A SECURED PARTY OF RECORD MAY ASSIGN OF RECORD ALL OF THE SECURED
45 PARTY'S RIGHTS UNDER MORE THAN ONE FINANCING STATEMENT FILED WITH THE

1 SECRETARY OF STATE BY FILING A MASTER ASSIGNMENT SETTING FORTH THE NAME OF
2 THE SECURED PARTY OF RECORD AND FILE NUMBER OF EACH FINANCING STATEMENT AND
3 THE NAME AND MAILING ADDRESS OF THE ASSIGNEE. THE SECURED PARTY SHALL ALSO
4 PROVIDE FILING INFORMATION IN COMPUTER-READABLE FORM PRESCRIBED BY THE
5 SECRETARY OF STATE.

6 Sec. 22. Section 47-9515, Arizona Revised Statutes, is amended to
7 read:

8 47-9515. Duration and effectiveness of financing statement;
9 effect of lapsed financing statement

10 A. Except as otherwise provided in subsections B, E, F and G of this
11 section, a filed financing statement is effective for a period of five years
12 after the date of filing.

13 B. Except as otherwise provided in subsections E, F and G of this
14 section, an initial financing statement filed in connection with a public
15 ~~finance transaction~~ or manufactured home transaction is effective for a
16 period of thirty years after the date of filing if it indicates that it is
17 filed in connection with a ~~public finance transaction~~ or manufactured home
18 transaction.

19 C. The effectiveness of a filed financing statement lapses on the
20 expiration of the period of its effectiveness unless before the lapse a
21 continuation statement is filed pursuant to subsection D of this section.
22 Upon lapse, a financing statement ceases to be effective and any security
23 interest or agricultural lien that was perfected by the financing statement
24 becomes unperfected, unless the security interest is perfected otherwise. If
25 the security interest or agricultural lien becomes unperfected upon lapse,
26 it is deemed never to have been perfected as against a purchaser of the
27 collateral for value.

28 D. A continuation statement may be filed only within six months before
29 the expiration of the five year period specified in subsection A of this
30 section or the thirty year period specified in subsection B of this section,
31 whichever is applicable.

32 E. Except as otherwise provided in section 47-9510, on timely filing
33 of a continuation statement, the effectiveness of the initial financing
34 statement continues for a period of five years commencing on the day on which
35 the financing statement would have become ineffective in the absence of the
36 filing. On the expiration of the five year period, the financing statement
37 lapses in the same manner as provided in subsection C of this section,
38 unless, before the lapse, another continuation statement is filed pursuant
39 to subsection D of this section. Succeeding continuation statements may be
40 filed in the same manner to continue the effectiveness of the initial
41 financing statement.

42 F. If a debtor is a transmitting utility and a filed financing
43 statement so indicates, the financing statement is effective until a
44 termination statement is filed.

1 G. A record of a mortgage that is effective as a financing statement
2 filed as a fixture filing under section 47-9502, subsection C remains
3 effective as a financing statement filed as a fixture filing until the
4 mortgage is released or satisfied of record or its effectiveness otherwise
5 terminates as to the real property.

6 Sec. 23. Section 47-9516, Arizona Revised Statutes, is amended to
7 read:

8 47-9516. What constitutes filing; effectiveness of filing

9 A. Except as otherwise provided in subsection B of this section,
10 communication of a record to a filing office and tender of the filing fee or
11 acceptance of the record by the filing office constitutes filing.

12 B. Filing does not occur with respect to a record that a filing office
13 refuses to accept because:

14 1. The record is not communicated by a method or medium of
15 communication authorized by the filing office;

16 2. An amount equal to or greater than the applicable filing fee is not
17 tendered;

18 3. The filing office is unable to index the record because:

19 (a) In the case of an initial financing statement, the record does not
20 provide a name for the debtor;

21 (b) In the case of an amendment or correction statement, the record:

22 (i) Does not identify the initial financing statement as required by
23 section 47-9512 or 47-9518, as applicable; or

24 (ii) Identifies an initial financing statement whose effectiveness has
25 lapsed under section 47-9515;

26 (c) In the case of an initial financing statement that provides the
27 name of a debtor identified as an individual or an amendment that provides
28 a name of a debtor identified as an individual that was not previously
29 provided in the financing statement to which the record relates, the record
30 does not identify the debtor's last name; or

31 (d) In the case of a record filed or recorded in the filing office
32 described in section 47-9501, subsection A, paragraph 1, the record does not
33 provide a sufficient description of the real property to which it relates;

34 4. In the case of an initial financing statement or an amendment that
35 adds a secured party of record, the record does not provide a name and
36 mailing address for the secured party of record;

37 5. In the case of an initial financing statement or an amendment that
38 provides a name of a debtor that was not previously provided in the financing
39 statement to which the amendment relates, the record does not:

40 (a) Provide a mailing address for the debtor;

41 (b) Indicate whether the debtor is an individual or an organization;

42 or

43 (c) If the financing statement indicates that the debtor is an
44 organization, provide:

45 (i) A type of organization for the debtor;

1 (ii) A jurisdiction of organization for the debtor; or
2 (iii) An organizational identification number for the debtor or
3 indicate that the debtor has none;

4 6. In the case of an assignment reflected in an initial financing
5 statement under section 47-9514, subsection A or an amendment filed under
6 section 47-9514, subsection B, the record does not provide a name and mailing
7 address for the assignee; or

8 7. In the case of a continuation statement, the record is not filed
9 within the six month period prescribed by section 47-9515, subsection D.

10 C. For purposes of subsection B of this section:

11 1. A record does not provide information if the filing office is
12 unable to read or decipher the information; and

13 2. A record that does not indicate that it is an amendment or identify
14 an initial financing statement to which it relates, as required by section
15 47-9512, 47-9514 or 47-9518, is an initial financing statement.

16 D. A record that is communicated to the filing office with tender of
17 the filing fee, but that the filing office refuses to accept for a reason
18 other than one set forth in subsection B of this section, is effective as a
19 filed record except as against a purchaser of the collateral that gives value
20 in reasonable reliance on the absence of the record from the files.

21 Sec. 24. Section 47-9523, Arizona Revised Statutes, is amended to
22 read:

23 47-9523. Information from filing office; sale or license of
24 records

25 A. If a person that files a written record requests an acknowledgment
26 of the filing, the filing office shall provide to the person an image of the
27 record showing the number assigned to the record pursuant to section 47-9519,
28 subsection A, paragraph 1 and the date and time of the filing of the record.
29 However, if the person furnishes a copy of the record to the filing office,
30 the filing office may instead:

31 1. Note on the copy the number assigned to the record pursuant to
32 section 47-9519, subsection A, paragraph 1 and the date and time of the
33 filing of the record; and

34 2. Provide the copy to the person.

35 B. If a person files a record other than a written record, the filing
36 office shall communicate to the person an acknowledgment that provides:

37 1. The information in the record;

38 2. The number assigned to the record pursuant to section 47-9519,
39 subsection A, paragraph 1; and

40 3. The date and time of the filing of the record.

41 C. The filing office shall communicate or otherwise make available in
42 a record the following information to any person that requests it:

43 1. Whether there is on file on a date and time specified by the filing
44 office, but not a date earlier than three FIVE business days before the
45 filing office receives the request, any financing statement that:

- 1 (a) Designates a particular debtor;
2 (b) Has not lapsed under section 47-9515 with respect to all secured
3 parties of record; and
4 (c) If the request so states, has lapsed under section 47-9515 and a
5 record of which is maintained by the filing office under section 47-9522,
6 subsection A;
7 2. The date and time of filing of each financing statement; and
8 3. A duplicate of each financing statement.
9 D. In complying with its duty under subsection C of this section, the
10 filing office may communicate information in any medium. However, if
11 requested, the filing office shall communicate information by issuing its
12 written certificate.
13 E. The filing office shall perform the acts required in subsections
14 A through D of this section at the time and in the manner prescribed by
15 filing office rule but, in the case of a filing office described in section
16 47-9501, subsection A, paragraph 2, not later than five business days after
17 the filing office receives the request.
18 F. Except for a filing office described in section 47-9501, subsection
19 A, paragraph 1, at least weekly, the filing office shall offer to sell or
20 license to the public on a nonexclusive basis, in bulk, copies of all records
21 filed in it under this article, in every medium from time to time available
22 to the filing office.
23 G. Except for a filing office described in section 47-9501, subsection
24 A, paragraph 1, the filing office is not required to mail any document,
25 record, certificate or any information under this section unless the person
26 who requests the document, record, certificate or information requests the
27 filing office to mail the document, record, certificate or information and
28 the person provides the filing office with an appropriate sized, addressed
29 and stamped envelope.
30 Sec. 25. Section 47-9525, Arizona Revised Statutes, is amended to
31 read:
32 47-9525. Fees
33 A. Except as otherwise provided in subsection E of this section and
34 except for a filing office described in section 47-9501, subsection A,
35 paragraph 1, the fee for filing and indexing a record under this article,
36 other than an initial financing statement of the kind described in section
37 47-9502, subsection C, is not more than nine dollars as provided in sections
38 41-126 and 41-127, if the record is communicated in writing or by any other
39 medium authorized by filing office rule.
40 B. Except as otherwise provided in subsection E of this section, the
41 fee for filing and indexing an initial financing statement of the kind
42 described in section 47-9502, subsection C is not more than nine dollars as
43 provided in sections 41-126 and 41-127 if the financing statement indicates
44 that it is filed in connection with a ~~public finance transaction or~~
45 manufactured home transaction.

1 C. The number of names required to be indexed does not affect the
2 amount of the fee in subsections A and B of this section.

3 D. The fee for responding to a request for information from the filing
4 office, including for issuing a certificate showing whether there is on file
5 any financing statement naming a particular debtor, is not more than nine
6 dollars as provided in sections 41-126 and 41-127 if the request is
7 communicated in writing or by any other medium authorized by filing office
8 rule.

9 E. This section does not require a fee with respect to a record of a
10 mortgage that is effective as a financing statement filed as a fixture filing
11 or as a financing statement covering as-extracted collateral or timber to be
12 cut under section 47-9502, subsection C. However, the recording and
13 satisfaction fees that otherwise would be applicable to the record of the
14 mortgage apply.

15 F. THE FILING FEE FOR FILING, INDEXING AND FURNISHING FILING DATA
16 ABOUT A STATEMENT OF MASTER AMENDMENT PURSUANT TO SECTION 47-9512, SUBSECTION
17 F OR MASTER ASSIGNMENT PURSUANT TO SECTION 47-9514, SUBSECTION D IS NOT MORE
18 THAN FOUR HUNDRED FIFTY DOLLARS PLUS FIFTY CENTS FOR EACH FINANCING STATEMENT
19 COVERED BY THE MASTER STATEMENT IN EXCESS OF FIFTY FINANCING STATEMENTS.

20 Sec. 26. Section 47-9608, Arizona Revised Statutes, is amended to
21 read:

22 47-9608. Application of proceeds of collection or enforcement;
23 liability for deficiency and right to surplus

24 A. If a security interest or agricultural lien secures payment or
25 performance of an obligation, the following rules apply:

26 1. A secured party shall apply or pay over for application the cash
27 proceeds of collection or enforcement under this section 47-9607 in the
28 following order to:

29 (a) The reasonable expenses of collection and enforcement and, to the
30 extent provided for by agreement and not prohibited by law, reasonable
31 attorney fees and legal expenses incurred by the secured party;

32 (b) The satisfaction of obligations secured by the security interest
33 or agricultural lien under which the collection or enforcement is made; and

34 (c) The satisfaction of obligations secured by any subordinate
35 security interest in or other lien on the collateral subject to the security
36 interest or agricultural lien under which the collection or enforcement is
37 made if the secured party receives an authenticated demand for proceeds
38 before distribution of the proceeds is completed.

39 2. If requested by a secured party, a holder of a subordinate security
40 interest or other lien shall furnish reasonable proof of the interest or lien
41 within a reasonable time. Unless the holder complies, the secured party need
42 not comply with the holder's demand under paragraph 1, subdivision (c).

43 3. A secured party need not apply or pay over for application noncash
44 proceeds of collection and enforcement under this section 47-9607 unless the
45 failure to do so would be commercially unreasonable. A secured party that

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

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

5 B. If the underlying transaction is a sale of accounts, chattel paper,
6 payment intangibles or promissory notes, the debtor is not entitled to any
7 surplus, and the obligor is not liable for any deficiency.

8 Sec. 27. Section 47-9613, Arizona Revised Statutes, is amended to
9 read:

10 47-9613. Contents and form of notification before disposition
11 of collateral; general

12 Except in a consumer goods transaction, the following rules apply:

13 1. The contents of a notification of disposition are sufficient if the
14 notification:

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

16 (b) Describes the collateral that is the subject of the intended
17 disposition;

18 (c) States the method of intended disposition;

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

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

23 2. Whether the contents of a notification that lacks any of the
24 information specified in paragraph 1 of this section are nevertheless
25 sufficient is a question of fact.

26 3. The contents of a notification providing substantially the
27 information specified in paragraph 1 of this section are sufficient, even if
28 the notification includes:

29 (a) Information not specified by that paragraph; or

30 (b) Minor errors that are not seriously misleading.

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

32 5. The following form of notification and the form appearing in
33 section 47-9614, paragraph 3, when completed, each provides sufficient
34 information:

35 NOTIFICATION OF DISPOSITION OF COLLATERAL

36 To: [Name of debtor, obligor, or other person to which the
37 notification is sent]

38 From: [Name, address, and telephone number of secured
39 party]

40 Name of Debtor(s): [Include only if debtor(s) are not an
41 addressee]

42 [For a public disposition:]

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

1 Day and Date:
2 Time:
3 Place:
4 [For a private disposition:]
5 We will sell [or lease or license, *as applicable*]
6 the [describe collateral] privately sometime
7 after [day and date].
8 You are entitled to an accounting of the unpaid indebtedness
9 secured by the property that we intend to sell [or lease or
10 license, *as applicable*] [for a charge of \$ _____]. You
11 may request an accounting by calling us at [telephone
12 number].

13 Sec. 28. Section 47-9615, Arizona Revised Statutes, is amended to
14 read:

15 47-9615. Application of proceeds of disposition; liability for
16 deficiency and right to surplus

17 A. A secured party shall apply or pay over for application the cash
18 proceeds of disposition UNDER SECTION 47-9610 in the following order to:

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

23 2. The satisfaction of obligations secured by the security interest
24 or agricultural lien under which the disposition is made;

25 3. The satisfaction of obligations secured by any subordinate security
26 interest in or other subordinate lien on the collateral if:

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

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

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

36 B. If requested by a secured party, a holder of a subordinate security
37 interest or other lien shall furnish reasonable proof of the interest or lien
38 within a reasonable time. Unless the holder does so, the secured party need
39 not comply with the holder's demand under subsection A, paragraph 3 OF THIS
40 SECTION.

41 C. A secured party need not apply or pay over for application noncash
42 proceeds of disposition under this section 47-9610 unless the failure to do
43 so would be commercially unreasonable. A secured party that applies or pays
44 over for application noncash proceeds shall do so in a commercially
45 reasonable manner.

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

5 1. Unless subsection A, paragraph 4 OF THIS SECTION requires the
6 secured party to apply or pay over cash proceeds to a consignor, the secured
7 party shall account to and pay a debtor for any surplus; and

8 2. The obligor is liable for any deficiency.

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

11 1. The debtor is not entitled to any surplus; and

12 2. The obligor is not liable for any deficiency.

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

18 1. The transferee in the disposition is the secured party, a person
19 related to the secured party or a secondary obligor; and

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

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

28 1. Takes the cash proceeds free of the security interest or other
29 lien;

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

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

35 Sec. 29. Section 47-9625, Arizona Revised Statutes, is amended to
36 read:

37 47-9625. Remedies for secured party's failure to comply with
38 chapter

39 A. If it is established that a secured party is not proceeding in
40 accordance with this chapter, a court may order or restrain collection,
41 enforcement or disposition of collateral on appropriate terms and conditions.

42 B. Subject to subsections C, D and F of this section, a person is
43 liable for damages in the amount of any loss caused by a failure to comply
44 with this chapter. Loss caused by a failure to comply with a request under

1 ~~section 47-9210~~ may include loss resulting from the debtor's inability to
2 obtain, or increased costs of, alternative financing.

3 C. Except as otherwise provided in section 47-9628:

4 1. A person that, at the time of the failure, was a debtor, was an
5 obligor or held a security interest in or other lien on the collateral may
6 recover damages under subsection B of this section for its loss; and

7 2. If the collateral is consumer goods, a person that was a debtor or
8 a secondary obligor at the time a secured party failed to comply with this
9 article may recover for that failure in any event an amount not less than the
10 credit service charge plus ten per cent of the principal amount of the
11 obligation or the time price differential plus ten per cent of the cash
12 price.

13 D. A debtor whose deficiency is eliminated under section 47-9626 may
14 recover damages for the loss of any surplus. However, a debtor or secondary
15 obligor whose deficiency is eliminated or reduced under section 47-9626 may
16 not otherwise recover under subsection B of this section for noncompliance
17 with the provisions of this article relating to collection, enforcement,
18 disposition or acceptance.

19 E. In addition to any damages recoverable under subsection B of this
20 section, the debtor, consumer obligor or person named as a debtor in a filed
21 record, as applicable, may recover five hundred dollars in each case from a
22 person that:

23 1. Fails to comply with section 47-9208;

24 2. Fails to comply with section 47-9209;

25 3. Files a record that the person is not entitled to file under
26 section 47-9509, subsection A;

27 4. Fails to cause the secured party of record to file or send a
28 termination statement as required by section 47-9513, subsection A or C;

29 5. Fails to comply with section 47-9616, subsection B, paragraph 1 and
30 whose failure is part of a pattern, or consistent with a practice, of
31 noncompliance; or

32 6. Fails to comply with section 47-9616, subsection B, paragraph 2.

33 F. A debtor or consumer obligor may recover damages under subsection
34 B of this section and, in addition, five hundred dollars in each case from
35 a person that, without reasonable cause, fails to comply with a request under
36 section 47-9210. A recipient of a request under section 47-9210 that never
37 claimed an interest in the collateral or obligations that are the subject of
38 a request under that section has a reasonable excuse for failure to comply
39 with the request within the meaning of this subsection.

40 G. If a person fails to comply with a request regarding a list of
41 collateral or a statement of account under section 47-9210, the person may
42 claim a security interest only as shown in the LIST OR statement included in
43 the request as against another person that is reasonably misled by the
44 failure.

1 Sec. 30. Section 47-9702, Arizona Revised Statutes, is amended to
2 read:

3 47-9702. Savings clause

4 A. Except as otherwise provided in this article, this chapter applies
5 to a transaction or lien within its scope, even if the transaction or lien
6 was entered into or created before this chapter takes effect.

7 B. Except as otherwise provided in subsection C of this section and
8 sections 47-9703 through ~~47-9708~~ 47-9709:

9 1. Transactions and liens that were not governed by the former chapter
10 9 of this title, were validly entered into or created before July 1, 2001 and
11 would be subject to this chapter if they had been entered into or created
12 after July 1, 2001, and the rights, duties and interests flowing from those
13 transactions and liens remain valid after July 1, 2001; and

14 2. The transactions and liens may be terminated, completed,
15 consummated and enforced as required or permitted by this chapter or by the
16 law that otherwise would apply if this chapter had not taken effect.

17 C. This chapter does not affect an action, case or proceeding
18 commenced before July 1, 2001.

19 Sec. 31. Section 47-9705, Arizona Revised Statutes, is amended to
20 read:

21 47-9705. Effectiveness of action taken before effective date

22 A. If action, other than the filing of a financing statement, is taken
23 before July 1, 2001 and the action would have resulted in priority of a
24 security interest over the rights of a person that becomes a lien creditor
25 had the security interest become enforceable before July 1, 2001, the action
26 is effective to perfect a security interest that attaches under this chapter
27 within one year after July 1, 2001. An attached security interest becomes
28 unperfected one year after July 1, 2001 unless the security interest becomes
29 a perfected security interest under this chapter before the expiration of
30 that period.

31 B. The filing of a financing statement before July 1, 2001 is
32 effective to perfect a security interest to the extent the filing would
33 satisfy the applicable requirements for perfection under this chapter.

34 C. This chapter does not render ineffective an effective financing
35 statement that before July 1, 2001 is filed and satisfies the applicable
36 requirements for perfection under the law of the jurisdiction governing
37 perfection as provided in former section 47-9103. However, except as
38 otherwise provided in subsections D and E of this section and section
39 47-9706, the financing statement ceases to be effective at the earlier of:

40 1. The time the financing statement would have ceased to be effective
41 under the law of the jurisdiction in which it is filed; or

42 2. June 30, ~~2006~~ 2007.

43 D. The filing of a continuation statement after July 1, 2001 does not
44 continue the effectiveness of the financing statement filed before July 1,
45 2001. However, on the timely filing of a continuation statement after July

1 1, 2001 and in accordance with the law of the jurisdiction governing
2 perfection as provided in article 3 of this chapter, the effectiveness of a
3 financing statement filed in the same office in that jurisdiction before July
4 1, 2001 continues for the period provided by the law of that jurisdiction.

5 E. Subsection C, paragraph 2 of this section applies to a financing
6 statement that before July 1, 2001 is filed against a transmitting utility
7 and satisfies the applicable requirements for perfection under the law of the
8 jurisdiction governing perfection as provided in former section 47-9103 only
9 to the extent that article 3 of this chapter provides that the law of a
10 jurisdiction other than THE jurisdiction in which the financing statement is
11 filed governs perfection of a security interest in collateral covered by the
12 financing statement.

13 F. A financing statement that includes a financing statement filed
14 before July 1, 2001 and a continuation statement filed after July 1, 2001 is
15 effective only to the extent that it satisfies the requirements of article
16 5 of this chapter for an initial financing statement.

17 Sec. 32. Renumber

18 Section 47-9707, Arizona Revised Statutes, is renumbered as section
19 47-9708.

20 Sec. 33. Title 47, chapter 9, article 7, Arizona Revised Statutes, is
21 amended by adding a new section 47-9707, to read:

22 47-9707. Amendment of pre-effective-date financing statement;
23 definition

24 A. IN THIS SECTION, "PRE-EFFECTIVE-DATE FINANCING STATEMENT" MEANS A
25 FINANCING STATEMENT FILED BEFORE JULY 1, 2001.

26 B. AFTER JULY 1, 2001, A PERSON MAY ADD OR DELETE COLLATERAL COVERED
27 BY, CONTINUE OR TERMINATE THE EFFECTIVENESS OF, OR OTHERWISE AMEND THE
28 INFORMATION PROVIDED IN, A PRE-EFFECTIVE-DATE FINANCING STATEMENT ONLY IN
29 ACCORDANCE WITH THE LAW OF THE JURISDICTION GOVERNING PERFECTION AS PROVIDED
30 IN ARTICLE 3 OF THIS CHAPTER. HOWEVER, THE EFFECTIVENESS OF A
31 PRE-EFFECTIVE-DATE FINANCING STATEMENT ALSO MAY BE TERMINATED IN ACCORDANCE
32 WITH THE LAW OF THE JURISDICTION IN WHICH THE FINANCING STATEMENT IS FILED.

33 C. EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION D OF THIS SECTION, IF
34 THE LAW OF THIS STATE GOVERNS PERFECTION OF A SECURITY INTEREST, THE
35 INFORMATION IN A PRE-EFFECTIVE-DATE FINANCING STATEMENT MAY BE AMENDED AFTER
36 JULY 1, 2001 ONLY IF:

37 1. THE PRE-EFFECTIVE-DATE FINANCING STATEMENT AND AN AMENDMENT ARE
38 FILED IN THE OFFICE SPECIFIED IN SECTION 47-9501;

39 2. AN AMENDMENT IS FILED IN THE OFFICE SPECIFIED IN SECTION 47-9501
40 CONCURRENTLY WITH, OR AFTER THE FILING IN THAT OFFICE OF, AN INITIAL
41 FINANCING STATEMENT THAT SATISFIES SECTION 47-9706, SUBSECTION C; OR

42 3. AN INITIAL FINANCING STATEMENT THAT PROVIDES THE INFORMATION AS
43 AMENDED AND SATISFIES SECTION 47-9706, SUBSECTION C AND THAT IS FILED IN THE
44 OFFICE SPECIFIED IN SECTION 47-9501.

1 D. IF THE LAW OF THIS STATE GOVERNS PERFECTION OF A SECURITY INTEREST,
2 THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE FINANCING STATEMENT MAY BE
3 CONTINUED ONLY UNDER SECTION 47-9705, SUBSECTIONS D AND F OR SECTION 47-9706.

4 E. WHETHER OR NOT THE LAW OF THIS STATE GOVERNS PERFECTION OF A
5 SECURITY INTEREST, THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE FINANCING
6 STATEMENT FILED IN THIS STATE MAY BE TERMINATED AFTER JULY 1, 2001 BY FILING
7 A TERMINATION STATEMENT IN THE OFFICE IN WHICH THE PRE-EFFECTIVE-DATE
8 FINANCING STATEMENT IS FILED, UNLESS AN INITIAL FINANCING STATEMENT THAT
9 SATISFIES SECTION 47-9706, SUBSECTION C HAS BEEN FILED IN THE OFFICE
10 SPECIFIED BY THE LAW OF THE JURISDICTION GOVERNING PERFECTION AS PROVIDED IN
11 ARTICLE 3 OF THIS CHAPTER AS THE OFFICE IN WHICH TO FILE A FINANCING
12 STATEMENT.

13 Sec. 34. Renumber

14 Section 47-9708, Arizona Revised Statutes, is renumbered as section
15 47-9709.

16 Sec. 35. Retroactivity

17 This act applies retroactively to from and after June 30, 2001.

APPROVED BY THE GOVERNOR APRIL 11, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 12, 2001.

Passed the House January 29, 20 01,

Passed the Senate April 2, 20 01,

by the following vote: 57 Ayes,

by the following vote: 29 Ayes,

0 Nays, 3 Not Voting

0 Nays, 1 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Norman L. Moore
Chief Clerk of the House

[Signature]
Charmine Ballington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

 day of , 20 ,

at o'clock M.

Secretary to the Governor

Approved this day of

 , 20 ,

at o'clock M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this day of , 20 ,

at o'clock M.

Secretary of State

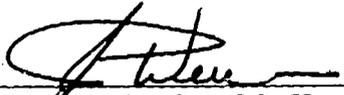
H.B. 2025

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

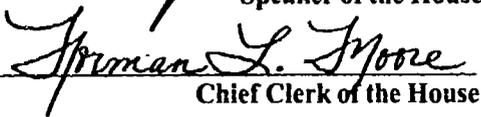
April 5, 2001,

by the following vote: 55 Ayes,

0 Nays, 5 Not Voting



Speaker of the House



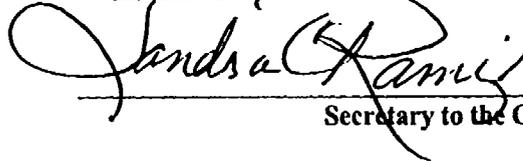
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

6 day of April, 2001,

at 9:32 o'clock A M.



Secretary to the Governor

Approved this 11 day of

April, 2001,

at 8:37 o'clock P M.



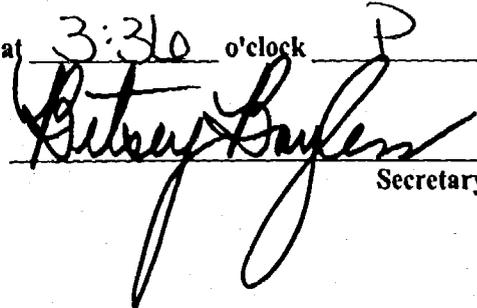
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 12 day of April, 2001,

at 3:30 o'clock P M.



Secretary of State

H.B. 2025