

SENATE BILL 610

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By: **Senator Kelley**
Introduced and read first time: February 2, 2001
Assigned to: Finance

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 13, 2001

CHAPTER _____

1 AN ACT concerning

2 **Uniform Commercial Code - Secured Transactions - Revisions**

3 FOR the purpose of revising, correcting, updating, and clarifying Title 9 of the
4 Commercial Law Article and associated sections of the Uniform Commercial
5 Code; revising the law relating to the creation and validity of security
6 agreements, rights of parties, perfection of security interests, and procedures for
7 filing and default; clarifying certain transition provisions; making stylistic
8 changes; adding a certain definition; modifying certain definitions; making
9 conforming changes to certain sections of the Annotated Code; and generally
10 relating to secured transactions.

11 BY renumbering

12 Article - Commercial Law
13 Section 9-102(a)(52) through (59), (61) through (63), and (65) through (80),
14 respectively
15 to be Section 9-102(a)(53) through (60), (62) through (64), and (66) through (81),
16 respectively
17 Annotated Code of Maryland
18 (1997 Replacement Volume and 2000 Supplement)
19 (As enacted by Chapter 282 of the Acts of the General Assembly of 1999)

20 BY repealing and reenacting, with amendments,
21 Article - Commercial Law
22 Section 2-502, 8-110(e), 9-102(a)(11), (44), (51), (60), and (64), 9-104(a),
23 9-210(d), 9-311, 9-316(a), 9-317, 9-319, 9-321, 9-323, 9-326, 9-331,
24 9-334(g), 9-335, 9-336(f), 9-406, 9-407, 9-408, 9-409(a), 9-502, 9-504,
25 9-505, 9-509, 9-513, 9-515(c), 9-520(b), 9-521, 9-525, 9-608, 9-611(e),

1 9-613(1)(E), 9-615, 9-617, 9-619(b), 9-622, 9-625, 9-702, 9-705(c) and
2 (e), 9-706, 9-707, and 9-708
3 Annotated Code of Maryland
4 (1997 Replacement Volume and 2000 Supplement)
5 (As enacted by Chapter 282 of the Acts of the General Assembly of 1999)

6 BY adding to
7 Article - Commercial Law
8 Section 9-102(a)(52)
9 Annotated Code of Maryland
10 (1997 Replacement Volume and 2000 Supplement)
11 (As enacted by Chapter 282 of the Acts of the General Assembly of 1999)

12 BY repealing and reenacting, without amendments,
13 Article - Commercial Law
14 Section 9-334(f)
15 Annotated Code of Maryland
16 (1997 Replacement Volume and 2000 Supplement)
17 (As enacted by Chapter 282 of the Acts of the General Assembly of 1999)

18 BY adding to
19 Article - Commercial Law
20 Section 9-707
21 Annotated Code of Maryland
22 (1997 Replacement Volume and 2000 Supplement)

23 BY repealing and reenacting, with amendments,
24 Article - Natural Resources
25 Section 8-728, 8-729(b), and 8-730(c)
26 Annotated Code of Maryland
27 (2000 Replacement Volume)

28 BY repealing and reenacting, with amendments,
29 Article - Transportation
30 Section 13-201 and 13-202(b)
31 Annotated Code of Maryland
32 (1999 Replacement Volume and 2000 Supplement)

33 BY adding to
34 Article - Transportation
35 Section 13-202(e)
36 Annotated Code of Maryland
37 (1999 Replacement Volume and 2000 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 2 MARYLAND, That Section(s) 9-102(a)(52) through (59), (61) through (63), and (65)
 3 through (80), respectively, of the Commercial Law Article of the Annotated Code of
 4 Maryland, as enacted by Chapter 282 of the Acts of the General Assembly of 1999, be
 5 renumbered to be Section(s) 9-102(a)(53) through (60), (62) through (64), and (66)
 6 through (81), respectively.

7 ~~SECTION 1. 2. AND BE IT FURTHER ENACTED BY THE GENERAL~~
 8 ~~ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:~~

9 **Article - Commercial Law**

10 2-502.

11 (1) Subject to subsections (2) and (3) and even though the goods have not been
 12 shipped a buyer who has paid a part or all of the price of goods in which he has a
 13 special property under the provisions of the immediately preceding section may on
 14 making and keeping good a tender of any unpaid portions of their price recover them
 15 from the seller if:

16 (a) In the case of goods bought for personal, family, or household
 17 purposes, the seller repudiates or fails to deliver as required by the contract; or

18 (b) In [other] ALL cases, the seller becomes insolvent within ten days
 19 after a receipt of the first installment on their price.

20 (2) The buyer's right to recover the goods under subsection (1)(a) vests upon
 21 acquisition of a special property, even if the seller had not then repudiated or failed to
 22 deliver.

23 (3) If the identification creating his special property has been made by the
 24 buyer he acquires the right to recover the goods only if they conform to the contract
 25 for sale.

26 8-110.

27 (e) The following rules determine a "securities intermediary's jurisdiction" for
 28 purposes of this section:

29 (1) If an agreement between the securities intermediary and its
 30 entitlement holder governing the securities account expressly provides that a
 31 particular jurisdiction is the securities intermediary's jurisdiction for purposes of this
 32 subtitle or this title, that jurisdiction is the securities intermediary's jurisdiction.

33 (2) If paragraph (1) does not apply and an agreement between the
 34 securities intermediary and its entitlement holder GOVERNING THE SECURITIES
 35 ACCOUNT expressly provides that the agreement is governed by the law of a
 36 particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

1 (3) If neither paragraph (1) nor paragraph (2) applies and an agreement
2 between the securities intermediary and its entitlement holder governing the
3 securities account expressly provides that the securities account is maintained at an
4 office in a particular jurisdiction, that jurisdiction is the securities intermediary's
5 jurisdiction.

6 (4) If none of the preceding paragraphs applies, the securities
7 intermediary's jurisdiction is the jurisdiction in which the office identified in an
8 account statement as the office serving the entitlement holder's account is located.

9 (5) If none of the preceding paragraphs applies, the securities
10 intermediary's jurisdiction is the jurisdiction in which the chief executive office of the
11 securities intermediary is located.

12 9-102.

13 (a) In this title:

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

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

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

5 (52) "LAND RECORDS" MEANS THE OFFICE DESIGNATED FOR THE FILING
 6 OR RECORDING OF A RECORD OF A MORTGAGE ON REAL PROPERTY.

7 ~~(60)~~ (61) "Original debtor", EXCEPT AS USED IN § 9-310(C), means a
 8 person that, as debtor, entered into a security agreement to which a new debtor has
 9 become bound under § 9-203(d).

10 ~~(64)~~ (65) "Proceeds", EXCEPT AS USED IN § 9-609(B), means the following
 11 property:

12 (A) Whatever is acquired upon the sale, lease, license, exchange, or
 13 other disposition of collateral;

14 (B) Whatever is collected on, or distributed on account of, collateral;

15 (C) Rights arising out of collateral;

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

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

22 9-104.

23 (a) A secured party has control of a deposit account if:

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

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

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

32 9-210.

33 (d) A person that receives a request regarding a list of collateral, claims no
 34 interest in the collateral when it receives the request, and claimed an interest in the
 35 collateral at an earlier time shall comply with the request within 14 days after receipt
 36 by sending to the debtor an authenticated record:

1 (1) Disclaiming any interest in the collateral; and

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

4 9-311.

5 (a) Except as otherwise provided in subsection (d), the filing of a financing
6 statement is not necessary or effective to perfect a security interest in property
7 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 a lien
10 creditor with respect to the property preempt § 9-310(a);

11 (2) Any certificate-of-title statute of this State which provides for a
12 security interest to be indicated on the certificate as a condition or result of
13 perfection; or

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

18 (b) Compliance with the requirements of a statute, regulation, or treaty
19 described in subsection (a) for obtaining priority over the rights of a lien creditor is
20 equivalent to the filing of a financing statement under this title, provided that the
21 time for perfection will be governed by that statute, regulation, or treaty. Except as
22 otherwise provided in subsection (d) and §§ 9-313 and 9-316(d) and (e) for goods
23 covered by a certificate of title, a security interest in property subject to a statute,
24 regulation, or treaty described in subsection (a) may be perfected only by compliance
25 with those requirements, and a security interest so perfected remains perfected
26 notwithstanding a change in the use or transfer of possession of the collateral.

27 (c) Except as otherwise provided in subsection (d) and § 9-316(d) and (e),
28 duration and renewal of perfection of a security interest perfected by compliance with
29 the requirements prescribed by a statute, regulation, or treaty described in subsection
30 (a) are governed by the statute, regulation, or treaty. In other respects, the security
31 interest is subject to this article.

32 (d) During any period in which collateral SUBJECT TO A STATUTE SPECIFIED
33 IN SUBSECTION (A)(2) is inventory held for sale or lease by a person or leased by that
34 person as lessor and that person is in the business of selling [or leasing] goods of that
35 kind, this section does not apply to a security interest in that collateral created by
36 that person [as debtor].

37 9-316.

38 (a) A security interest perfected pursuant to the law of the jurisdiction
39 designated in § 9-301(1) or § 9-305(c) remains perfected until the earliest of:

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

3 (2) The expiration of four months after a change of the debtor's location
4 to another jurisdiction; OR

5 (3) The expiration of one year after a transfer of collateral to a person
6 that thereby becomes a debtor and is located in another jurisdiction[; or

7 (4) The expiration of one year after a new debtor located in another
8 jurisdiction becomes bound under § 9-203(d)].

9 9-317.

10 (a) [An unperfected] A security interest or agricultural lien is subordinate to
11 the rights of:

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

13 (2) [A] EXCEPT AS PROVIDED IN SUBSECTION (E), A person that becomes
14 a lien creditor before the earlier of the time:

15 (A) [the] THE security interest or agricultural lien is perfected; or

16 (B) ONE OF THE CONDITIONS SPECIFIED IN § 9-203(B)(3) IS MET
17 AND a financing statement covering the collateral is filed.

18 (b) Except as otherwise provided in subsection (e), a buyer, other than a
19 secured party, of tangible chattel paper, documents, goods, instruments, or a security
20 certificate takes free of a security interest or agricultural lien if the buyer gives value
21 and receives delivery of the collateral without knowledge of the security interest or
22 agricultural lien and before it is perfected.

23 (c) Except as otherwise provided in subsection (e), a lessee of goods takes free
24 of a security interest or agricultural lien if the lessee gives value and receives delivery
25 of the collateral without knowledge of the security interest or agricultural lien and
26 before it is perfected.

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

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

1 9-319.

2 (a) Except as otherwise provided in subsection (b), for purposes of determining
3 the rights of creditors of, and purchasers for value of goods from, a consignee, while
4 the goods are in the possession of the consignee, the consignee [has] IS DEEMED TO
5 HAVE rights and title to the goods identical to those the consignor had or had power to
6 transfer.

7 (b) For purposes of determining the rights of a creditor of a consignee, law
8 other than this title determines the rights and title of a consignee while goods are in
9 the consignee's possession if, under this subtitle, a perfected security interest held by
10 the consignor would have priority over the rights of the creditor.

11 9-321.

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

19 (b) A licensee in ordinary course of business takes its rights under [the] A
20 NONEXCLUSIVE license free of a security interest in the general intangible created by
21 the licensor, even if the security interest is perfected and the licensee knows of its
22 existence.

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

26 9-323.

27 (a) Except as otherwise provided in subsection [(c)] (B), for purposes of
28 determining the priority of a perfected security interest under § 9-322(a)(1),
29 perfection of the security interest dates from the time an advance is made to the
30 extent that the security interest secures an advance that:

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

32 (A) Under § 9-309 when it attaches; or

33 (B) Temporarily under § 9-312(e), (f), or (g); and

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

1 [(b) Except as otherwise provided in subsection (c), a security interest is
2 subordinate to the rights of a person that becomes a lien creditor while the security
3 interest is perfected only to the extent that it secures advances made more than 45
4 days after the person becomes a lien creditor unless the advance is made:

5 (1) Without knowledge of the lien; or

6 (2) Pursuant to a commitment entered into without knowledge of the
7 lien.]

8 [(c) (B) [Subsections] SUBSECTION (a) [and (b) do] DOES not apply to a
9 security interest held by a secured party that is a buyer of accounts, chattel paper,
10 payment intangibles, or promissory notes or a consignor.

11 [(d) (C) Except as otherwise provided in subsection [(e)] (D), a buyer of goods
12 other than a buyer in ordinary course of business takes free of a security interest to
13 the extent that it secures advances made after the earlier of:

14 (1) The time the secured party acquires knowledge of the buyer's
15 purchase; or

16 (2) 45 days after the purchase.

17 [(e) (D) Subsection [(d)] (C) does not apply if the advance is made pursuant
18 to a commitment entered into without knowledge of the buyer's purchase and before
19 the expiration of the 45-day period.

20 [(f) (E) Except as otherwise provided in subsection [(g)] (F), a lessee of goods,
21 other than a lessee in ordinary course of business, takes the leasehold interest free of
22 a security interest to the extent that it secures advances made after the earlier of:

23 (1) The time the secured party acquires knowledge of the lease; or

24 (2) 45 days after the lease contract becomes enforceable.

25 [(g) (F) Subsection [(f)] (E) does not apply if the advance is made pursuant to
26 a commitment entered into without knowledge of the lease and before the expiration
27 of the 45-day period.

28 9-326.

29 (a) Subject to subsection (b), a security interest created by a new debtor which
30 is perfected by a filed financing statement that is effective solely under § 9-508 in
31 collateral in which a new debtor has or acquires rights is subordinate to a security
32 interest in the same collateral which is perfected [by another method] OTHER THAN
33 BY A FILED FINANCING STATEMENT THAT IS EFFECTIVE SOLELY UNDER § 9-508 OF
34 THIS TITLE.

35 (b) [If more than one security interest in the same collateral is subordinate
36 under subsection (a), the] THE other provisions of this subtitle determine the priority

1 among [the subordinated] CONFLICTING security interests IN THE SAME
2 COLLATERAL PERFECTED BY FILED FINANCING STATEMENTS THAT ARE EFFECTIVE
3 SOLELY UNDER § 9-508 OF THIS TITLE. HOWEVER, IF THE SECURITY AGREEMENTS TO
4 WHICH A NEW DEBTOR BECAME BOUND AS DEBTOR WERE NOT ENTERED INTO BY
5 THE SAME ORIGINAL DEBTOR, THE CONFLICTING SECURITY INTERESTS RANK
6 ACCORDING TO PRIORITY IN TIME OF THE NEW DEBTOR'S HAVING BECOME BOUND.

7 9-331.

8 (a) This title does not limit the rights of a holder in due course of a negotiable
9 instrument, a holder to which a negotiable document of title has been duly negotiated,
10 or a protected purchaser of a security. These holders or purchasers take priority over
11 an earlier security interest, even if perfected, to the extent provided in Titles 3, 7, and
12 8 of this article.

13 (b) This title does not limit the rights of or impose liability on a person to the
14 extent that the person is protected against the assertion of [an adverse] A claim
15 under Title 8 of this article.

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

18 9-334.

19 (f) A security interest in fixtures, whether or not perfected, has priority over a
20 conflicting interest of an encumbrancer or owner of the real property if:

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

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

25 (g) The priority of the security interest under subsection [(f)] (F)(2) continues
26 for a reasonable time if the debtor's right to remove the goods as against the
27 encumbrancer or owner terminates.

28 9-335.

29 (a) A security interest may be created in an accession and continues in
30 collateral that becomes an accession.

31 (b) If a security interest is perfected when the collateral becomes an accession,
32 the security interest remains perfected in the collateral.

33 (c) Except as otherwise provided in subsection (d), the other provisions of this
34 part determine the priority of a security interest in an accession.

1 (d) A security interest in an accession is subordinate to a security interest in
2 the whole which is perfected by compliance with the requirements of a
3 certificate-of-title statute under § 9-311(b).

4 (e) After default, subject to Subtitle 6, a secured party may remove an
5 accession from other goods if the security interest in the accession has priority over
6 the claims of every person having an interest in the whole.

7 (f) A secured party that removes an accession from other goods under
8 subsection (e) shall promptly reimburse any [encumbrancer] HOLDER OF A
9 SECURITY INTEREST OR OTHER LIEN ON, or owner of the whole or of the other goods,
10 other than the debtor, for the cost of repair of any physical injury to the whole or the
11 other goods. The secured party need not reimburse the [encumbrancer] HOLDER or
12 owner for any diminution in value of the whole or the other goods caused by the
13 absence of the accession removed or by any necessity for replacing it. A person
14 entitled to reimbursement may refuse permission to remove until the secured party
15 gives adequate assurance for the performance of the obligation to reimburse.

16 9-336.

17 (f) If more than one security interest attaches to the product or mass under
18 subsection (c), the following rules determine priority:

19 (1) A security interest that is perfected under subsection (d) has priority
20 over a security interest that is unperfected at the time the collateral becomes
21 commingled goods.

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

25 9-406.

26 (a) Subject to subsections (b) through [(h)] (J), an account debtor on an
27 account, chattel paper, or a payment intangible may discharge its obligation by
28 paying the assignor until, but not after, the account debtor receives a notification,
29 authenticated by the assignor or the assignee, that the amount due or to become due
30 has been assigned and that payment is to be made to the assignee. After receipt of the
31 notification, the account debtor may discharge its obligation by paying the assignee
32 and may not discharge the obligation by paying the assignor.

33 (b) Subject to subsection [(g)] (H), notification is ineffective under subsection
34 (a):

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

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

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

4 (A) Only a portion of the account, chattel paper, or [general]
5 PAYMENT intangible has been assigned to that assignee;

6 (B) A portion has been assigned to another assignee; or

7 (C) The account debtor knows that the assignment to that assignee
8 is limited.

9 (c) Subject to subsection [(g)] (H), if requested by the account debtor, an
10 assignee shall seasonably furnish reasonable proof that the assignment has been
11 made. Unless the assignee complies, the account debtor may discharge its obligation
12 by paying the assignor, even if the account debtor has received a notification under
13 subsection (a).

14 (d) Except as otherwise provided in subsection (e) and §§ 2A-303 of this article
15 and 9-407, and subject to subsection [(g)] (H), a term in an agreement between an
16 account debtor and an assignor or in a promissory note is ineffective to the extent that
17 it:

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

22 (2) Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
23 attachment, perfection, or enforcement of the security interest may give rise to a
24 default, breach, right of recoupment, claim, defense, termination, right of
25 termination, or remedy under the account, chattel paper, payment intangible, or
26 promissory note.

27 (e) Subsection (d) does not apply to the sale of a payment intangible or
28 promissory note.

29 (F) EXCEPT AS OTHERWISE PROVIDED IN §§ 2A-303 OF THIS ARTICLE AND
30 9-407, AND SUBJECT TO SUBSECTIONS (H) AND (I) OF THIS SECTION, A RULE OF LAW,
31 STATUTE, OR REGULATION THAT PROHIBITS, RESTRICTS, OR REQUIRES THE
32 CONSENT OF A GOVERNMENT, GOVERNMENTAL BODY OR OFFICIAL, OR ACCOUNT
33 DEBTOR TO THE ASSIGNMENT OR TRANSFER OF, OR CREATION OF A SECURITY
34 INTEREST IN, AN ACCOUNT OR CHATTEL PAPER IS INEFFECTIVE TO THE EXTENT
35 THAT THE RULE OF LAW, STATUTE, OR REGULATION:

36 (1) PROHIBITS, RESTRICTS, OR REQUIRES THE CONSENT OF THE
37 GOVERNMENT, GOVERNMENTAL BODY OR OFFICIAL, OR ACCOUNT DEBTOR TO THE
38 ASSIGNMENT OR TRANSFER OF, OR THE CREATION OF A SECURITY INTEREST IN, THE
39 ACCOUNT OR CHATTEL PAPER; OR

1 (2) PROVIDES THAT THE ASSIGNMENT OR TRANSFER OR THE CREATION,
2 ATTACHMENT, PERFECTION, OR ENFORCEMENT OF A SECURITY INTEREST MAY GIVE
3 RISE TO A DEFAULT, BREACH, RIGHT OF RECOUPMENT, CLAIM, DEFENSE,
4 TERMINATION, RIGHT OF TERMINATION, OR REMEDY UNDER THE ACCOUNT OR
5 CHATTEL PAPER.

6 [(f)] (G) Subject to subsection [(g)] (H), an account debtor may not waive or
7 vary its option under subsection (b)(3).

8 [(g)] (H) This section is subject to law other than this title which establishes a
9 different rule for an account debtor who is an individual and who incurred the
10 obligation primarily for personal, family, or household purposes.

11 [(h)] (I) This section does not apply to an assignment of a
12 health-care-insurance receivable.

13 (J) THIS SECTION PREVAILS OVER ANY INCONSISTENT STATUTE OF THIS
14 STATE.

15 9-407.

16 (a) Except as otherwise provided in subsection (b), a term in a lease agreement
17 is ineffective to the extent that it:

18 (1) Prohibits, restricts, or requires the consent of a party to the lease to
19 the ASSIGNMENT OR TRANSFER OF, OR THE creation, attachment, perfection, or
20 enforcement of a security interest [in] IN, an interest of a party under the lease
21 contract or in the lessor's residual interest in the goods; or

22 (2) Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
23 attachment, perfection, or enforcement of the security interest may give rise to a
24 default, breach, right of recoupment, claim, defense, termination, right of
25 termination, or remedy under the lease.

26 (b) Except as otherwise provided in § 2A-303(7) of this article, a term
27 described in subsection (a)(2) is effective to the extent that there is:

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

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

32 (c) The creation, attachment, perfection, or enforcement of a security interest
33 in the lessor's interest under the lease contract or the lessor's residual interest in the
34 goods is not a transfer that materially impairs the lessee's prospect of obtaining
35 return performance or materially changes the duty of or materially increases the
36 burden or risk imposed on the lessee within the purview of § 2A-303(4) of this article
37 unless, and then only to the extent that, enforcement actually results in a delegation

1 of material performance of the [seller] LESSOR. [Even in that event, the creation,
2 attachment, perfection, and enforcement of the security interest remain effective.]

3 9-408.

4 (a) Except as otherwise provided in subsection (b), a term in a promissory note
5 or in an agreement between an account debtor and a debtor which relates to a
6 health-care-insurance receivable or a general intangible, including a contract,
7 permit, license, or franchise, and which term prohibits, restricts, or requires the
8 consent of the person obligated on the promissory note or the account debtor to, the
9 assignment or transfer of, or creation, attachment, or perfection of a security interest
10 in, the promissory note, health-care-insurance receivable, or general intangible, is
11 ineffective to the extent that the term:

12 (1) Would impair the creation, attachment, or perfection of a security
13 interest; or

14 (2) Provides that the ASSIGNMENT OR TRANSFER OR THE creation,
15 attachment, or perfection of the security interest may give rise to a default, breach,
16 right of recoupment, claim, defense, termination, right of termination, or remedy
17 under the promissory note, health-care-insurance receivable, or general intangible.

18 (b) Subsection (a) applies to a security interest in a payment intangible or
19 promissory note only if the security interest arises out of a sale of the payment
20 intangible or promissory note.

21 (c) A rule of law, statute, or regulation [, which] THAT prohibits, restricts, or
22 requires the consent of a government, governmental body or official, person obligated
23 on a promissory note, or account debtor to the assignment or transfer of, or creation of
24 a security interest in, a promissory note, health-care-insurance receivable, or general
25 intangible, including a contract, permit, license, or franchise between an account
26 debtor and a debtor, is ineffective to the extent that the rule of law, statute, or
27 regulation:

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

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

34 (d) To the extent that a term in a promissory note or in an agreement between
35 an account debtor and a debtor which relates to a health-care-insurance receivable
36 or general intangible or a rule of law, statute, or regulation described in subsection (c)
37 would be effective under law other than this title but is ineffective under subsection
38 (a) or (c), the creation, attachment, or perfection of a security interest in the
39 promissory note, health-care-insurance receivable, or general intangible:

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

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

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

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

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

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

18 (e) This section prevails over any inconsistent statute of this State.

19 9-409.

20 (a) A term in a letter of credit or a rule of law, statute, regulation, custom, or
21 practice applicable to the letter of credit which prohibits, restricts, or requires the
22 consent of an applicant, issuer, or nominated person to a beneficiary's assignment of
23 or creation of a security interest in a letter-of-credit right is ineffective to the extent
24 that the term or rule of law, statute, regulation, custom, or practice:

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

27 (2) Provides that the ASSIGNMENT OR THE creation, attachment, or
28 perfection of the security interest may give rise to a default, breach, right of
29 recoupment, claim, defense, termination, right of termination, or remedy under the
30 letter-of-credit right.

31 9-502.

32 (a) Subject to subsection (b), a financing statement is sufficient only if it:

33 (1) Provides the name of the debtor;

34 (2) Provides the name of the secured party or a representative of the
35 secured party; and

36 (3) Indicates the collateral covered by the financing statement.

1 (b) Except as otherwise provided in § 9-501(b), to be sufficient, a financing
2 statement that covers as-extracted collateral or timber to be cut, or which is filed as
3 a fixture filing and covers goods that are or are to become fixtures, must satisfy
4 subsection (a) and also:

5 (1) Indicate that it covers this type of collateral;

6 (2) Indicate that it is to be recorded in the land records;

7 (3) Provide a description of the real property to which the collateral is
8 related; and

9 (4) If the debtor does not have an interest of record in the real property,
10 provide the name of a record owner.

11 (c) A record of a mortgage is effective, from the date of recording, as a
12 financing statement filed as a fixture filing or as a financing statement covering
13 as-extracted collateral or timber to be cut only if:

14 (1) The record indicates the goods or accounts that it covers;

15 (2) The goods are or are to become fixtures related to the real property
16 described in the record or the collateral is related to the real property described in the
17 record and is as-extracted collateral or timber to be cut;

18 (3) The record [complies with] SATISFIES the requirements for a
19 financing statement in this section other than an indication that it is to be recorded in
20 the land records; and

21 (4) The record is [duly] recorded.

22 (d) A financing statement may be filed before a security agreement is made or
23 a security interest otherwise attaches.

24 (e) A financing statement FILED AS A FIXTURE FILING, or addendum filed
25 with a financing statement FILED AS A FIXTURE FILING, shall state whether the
26 secured transaction to be perfected by the filing is or is not subject to recordation tax.
27 If recordation tax is payable, the financing statement shall also disclose the principal
28 amount of debt initially incurred [and the county in which the debtor's principal
29 place of business is located. Failure of a financing statement separately to disclose the
30 county of the debtor's principal place of business shall constitute a representation
31 that the first address in this State contained in the financing statement is the
32 debtor's principal place of business].

33 9-504.

34 A financing statement sufficiently indicates the collateral that it covers [only] if
35 the financing statement provides:

36 (1) A description of the collateral pursuant to § 9-108; or

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

3 9-505.

4 (a) A consignor, lessor, or other bailor of goods, A LICENSOR, or a buyer of a
5 payment intangible or promissory note may file a financing statement, or may comply
6 with a statute or treaty described in § 9-311(a), using the terms "consignor",
7 "consignee", "lessor", "lessee", "bailor", "bailee", "LICENSOR", "LICENSEE", "owner",
8 "registered owner", "buyer", "seller", or words of similar import, instead of the terms
9 "secured party" and "debtor".

10 (b) This subtitle applies to the filing of a financing statement under
11 subsection (a) and, as appropriate, to compliance that is equivalent to filing a
12 financing statement under § 9-311(b), but the filing or compliance is not of itself a
13 factor in determining whether the collateral secures an obligation. If it is determined
14 for another reason that the collateral secures an obligation, a security interest held by
15 the consignor, lessor, bailor, LICENSOR, owner, or buyer which attaches to the
16 collateral is perfected by the filing or compliance.

17 9-509.

18 (a) A person may file an initial financing statement, amendment that adds
19 collateral covered by a financing statement, or amendment that adds a debtor to a
20 financing statement only if:

21 (1) The debtor authorizes the filing in an authenticated record OR
22 PURSUANT TO SUBSECTION (B) OR (C); or

23 (2) The person holds an agricultural lien that has become effective at the
24 time of filing and the financing statement covers only collateral in which the person
25 holds an agricultural lien.

26 (b) By authenticating OR BECOMING BOUND AS A DEBTOR BY a security
27 agreement, a debtor OR NEW DEBTOR authorizes the filing of an initial financing
28 statement, and an amendment, covering:

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

30 (2) Property that becomes collateral under § 9-315(a)(2), whether or not
31 the security agreement expressly covers proceeds.

32 (C) BY ACQUIRING COLLATERAL IN WHICH A SECURITY INTEREST OR
33 AGRICULTURAL LIEN CONTINUES UNDER § 9-315(A)(1), A DEBTOR AUTHORIZES THE
34 FILING OF AN INITIAL FINANCING STATEMENT, AND AN AMENDMENT, COVERING
35 THE COLLATERAL AND PROPERTY THAT BECOMES COLLATERAL UNDER § 9-315(A)(2).

36 [(c)] (D) A person may file an amendment other than an amendment that
37 adds collateral covered by a financing statement or an amendment that adds a debtor
38 to a financing statement only if:

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

2 (2) The amendment is a termination statement for a financing statement
3 as to which the secured party of record has failed to file or send a termination
4 statement as required by § 9-513, the debtor authorizes the filing, and the
5 termination statement indicates that the debtor authorized it to be filed.

6 [(d)] (E) If there is more than one secured party of record for a financing
7 statement, each secured party of record may authorize the filing of an amendment
8 under subsection [(c)] (D).

9 9-513.

10 (a) A secured party shall cause the secured party of record for a financing
11 statement to file a termination statement for the financing statement if the financing
12 statement covers consumer goods and:

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

16 (2) The debtor did not authorize the filing of the initial financing
17 statement.

18 (b) To comply with subsection (a), a secured party shall cause the secured
19 party of record to file the termination statement:

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

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

25 (c) In cases not governed by subsection (a), within 20 days after a secured
26 party receives an authenticated demand from a debtor, the secured party shall cause
27 the secured party of record for a financing statement to send to the debtor a
28 termination statement for the financing statement or file the termination statement
29 in the filing office if:

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

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

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

3 (4) The debtor did not authorize the filing of the initial financing
4 statement.

5 (d) Except as otherwise provided in § 9-510, upon the filing of a termination
6 statement with the filing office, the financing statement to which the termination
7 statement relates ceases to be effective. EXCEPT AS OTHERWISE PROVIDED IN § 9-510,
8 FOR PURPOSES OF §§ 9-519(F), 9-522(A), AND 9-523(B), THE FILING WITH THE FILING
9 OFFICE OF A TERMINATION STATEMENT RELATING TO A FINANCING STATEMENT
10 THAT INDICATES THAT THE DEBTOR IS A TRANSMITTING UTILITY ALSO CAUSES THE
11 EFFECTIVENESS OF THE FINANCING STATEMENT TO LAPSE.

12 9-515.

13 (c) The effectiveness of a filed financing statement lapses on the expiration of
14 the period of its effectiveness unless before the lapse a continuation statement is filed
15 pursuant to subsection (d). Upon lapse, a financing statement ceases to be effective
16 and any security interest or agricultural lien that was perfected by the financing
17 statement becomes unperfected, unless the security interest is perfected [without
18 filing] OTHERWISE. If the security interest or agricultural lien becomes unperfected
19 upon lapse, it is deemed never to have been perfected as against a purchaser of the
20 collateral for value.

21 9-520.

22 (b) If a filing office refuses to accept a record for filing, it shall communicate to
23 the person that presented the record the fact of and reason for the refusal and the
24 date and time the record would have been filed had the filing office accepted it. The
25 communication must be made at the time and in the manner prescribed by
26 filing-office rule [described in § 9-501(a)(2)].

27 9-521.

28 A filing office that accepts written records may not refuse to accept a written
29 initial financing statement, FINANCING STATEMENT ADDENDUM, FINANCING
30 STATEMENT AMENDMENT, AND FINANCING STATEMENT AMENDMENT ADDENDUM,
31 in the form and format as produced for national use by the National Conference of
32 Commissioners on Uniform State Laws except for a reason set forth in § 9-516(b).

33 9-525.

34 (a) Except as otherwise provided in subsection (c), the fee for filing and
35 indexing a record under this part, other than an initial financing statement of the
36 kind described in § 9-502(c), is:

37 (1) \$20 if the record is communicated in writing and consists of eight or
38 fewer pages;

1 (2) \$75 if the record is communicated in writing and consists of more
2 than eight pages; and

3 (3) \$20 if the record is communicated by another medium authorized by
4 filing-office rule.

5 (b) The number of names required to be indexed does not affect the amount of
6 the fee in subsection (a).

7 (c) This section does not require a fee with respect to a record of a mortgage
8 which is effective as a financing statement filed as a fixture filing or as a financing
9 statement covering as-extracted collateral or timber to be cut under § 9-502(c).
10 However, the recording and satisfaction fees that otherwise would be applicable to the
11 record of the mortgage apply.

12 [(d) Two and one-half percent of the recordation taxes paid on instruments
13 filed with the Department under this title shall be credited to the fund established
14 under § 1-203.3 of the Corporations and Associations Article.]

15 9-608.

16 (a) If a security interest or agricultural lien secures payment or performance
17 of an obligation, the following rules apply:

18 (1) A secured party shall apply or pay over for application the cash
19 proceeds of collection or enforcement under [this section] § 9-607 in the following
20 order to:

21 (A) The reasonable expenses of collection and enforcement and, to
22 the extent provided for by agreement and not prohibited by law, reasonable attorney's
23 fees and legal expenses incurred by the secured party;

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

26 (C) The satisfaction of obligations secured by any subordinate
27 security interest in or other lien on the collateral subject to the security interest or
28 agricultural lien under which the collection or enforcement is made if the secured
29 party receives an authenticated demand for proceeds before distribution of the
30 proceeds is completed.

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

35 (3) A secured party need not apply or pay over for application noncash
36 proceeds of collection and enforcement under [this section] § 9-607 unless the failure
37 to do so would be commercially unreasonable. A secured party that applies or pays

1 over for application noncash proceeds shall do so in a commercially reasonable
2 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, payment
6 intangibles, or promissory notes, the debtor is not entitled to any surplus, and the
7 obligor is not liable for any deficiency.

8 9-611.

9 (e) A secured party complies with the requirement for notification prescribed
10 [in] BY subsection (c)(3)(B) if:

11 (1) Not later than 20 days or earlier than 30 days before the notification
12 date, the secured party requests, in a commercially reasonable manner, information
13 concerning financing statements indexed under the debtor's name in the office
14 indicated in subsection (c)(3)(B); and

15 (2) Before the notification date, the secured party:

16 (A) Did not receive a response to the request for information; or

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

20 9-613.

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

22 (1) The contents of a notification of disposition are sufficient if the
23 notification:

24 (E) States the time and place of a public [sale] DISPOSITION or the
25 time after which any other disposition is to be made.

26 9-615.

27 (a) A secured party shall apply or pay over for application the cash proceeds of
28 disposition UNDER § 9-610 in the following order to:

29 (1) The reasonable expenses of retaking, holding, preparing for
30 disposition, processing, and disposing, and, to the extent provided for by agreement
31 and not prohibited by law, reasonable attorney's fees and legal expenses incurred by
32 the secured party;

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

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

3 (A) The secured party receives from the holder of the subordinate
4 security interest or other lien an authenticated demand for proceeds before
5 distribution of the proceeds is completed; and

6 (B) In a case in which a consignor has an interest in the collateral,
7 the subordinate security interest or other lien is senior to the interest of the
8 consignor; and

9 (4) A secured party that is a consignor of the collateral if the secured
10 party receives from the consignor an authenticated demand for proceeds before
11 distribution of the proceeds is completed.

12 (b) If requested by a secured party, a holder of a subordinate security interest
13 or other lien shall furnish reasonable proof of the interest or lien within a reasonable
14 time. Unless the holder does so, the secured party need not comply with the holder's
15 demand under subsection (a)(3).

16 (c) A secured party need not apply or pay over for application noncash
17 proceeds of disposition under [this section] § 9-610 unless the failure to do so would be
18 commercially unreasonable. A secured party that applies or pays over for application
19 noncash proceeds shall do so in a commercially reasonable manner.

20 (d) If the security interest under which a disposition is made secures payment
21 or performance of an obligation, after making the payments and applications required
22 by subsection (a) and permitted by subsection (c):

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

26 (2) The obligor is liable for any deficiency.

27 (e) If the underlying transaction is a sale of accounts, chattel paper, payment
28 intangibles, or promissory notes:

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

30 (2) The obligor is not liable for any deficiency.

31 (f) The surplus or deficiency following a disposition is calculated based on the
32 amount of proceeds that would have been realized in a disposition complying with this
33 part to a transferee other than the secured party, a person related to the secured
34 party, or a secondary obligor if:

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

1 (2) The amount of proceeds of the disposition is significantly below the
2 range of proceeds that a complying disposition to a person other than the secured
3 party, a person related to the secured party, or a secondary obligor would have
4 brought.

5 (g) A secured party that receives cash proceeds of a disposition in good faith
6 and without knowledge that the receipt violates the rights of the holder of a security
7 interest or other lien that is not subordinate to the security interest or agricultural
8 lien under which the disposition is made:

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

10 (2) Is not obligated to apply the proceeds of the disposition to the
11 satisfaction of obligations secured by the security interest or other lien; and

12 (3) Is not obligated to account to or pay the holder of the security interest
13 or other lien for any surplus.

14 9-617.

15 (a) A secured party's disposition of collateral after default:

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

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

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

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

25 (c) If a transferee does not take free of the rights and interests described in
26 subsection (a), the transferee takes the collateral subject to:

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

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

30 (3) Any OTHER security interest or other lien.

31 9-619.

32 (b) A transfer statement entitles the transferee to the transfer of record of all
33 rights of the debtor in the collateral specified in the statement in any official filing,
34 recording, registration, or certificate-of-title system covering the collateral. If a

1 transfer statement is presented with the applicable fee and request form to the
2 official or office responsible for maintaining the system, the official or office shall:

- 3 (1) Accept the transfer statement;
- 4 (2) Promptly amend its records to reflect the transfer; and
- 5 (3) If applicable, issue a new appropriate certificate of title in the name
6 of THE transferee.

7 9-622.

8 (a) A secured party's acceptance of collateral in full or partial satisfaction of
9 the obligation it secures:

- 10 (1) Discharges the obligation to the extent consented to by the debtor;
- 11 (2) Transfers to the secured party all of a debtor's rights in the collateral;
- 12 (3) Discharges the security interest or agricultural lien that is the
13 subject of the debtor's consent and any subordinate security interest or other
14 subordinate lien; and
- 15 (4) Terminates any other subordinate interest.

16 (b) A subordinate interest is discharged or terminated under subsection (a),
17 [whether or not the secured party sends or is required to send its proposal to the
18 holder of the interest. However, any person to which the secured party was required
19 to send, but did not send, its proposal has the remedy provided by § 9-625(b)] EVEN
20 IF THE SECURED PARTY FAILS TO COMPLY WITH THIS TITLE.

21 9-625.

22 (a) If it is established that a secured party is not proceeding in accordance
23 with this title, a court may order or restrain collection, enforcement, or disposition of
24 collateral on appropriate terms and conditions.

25 (b) Subject to subsections (c) and (d), a [secured party] PERSON is liable for
26 damages in the amount of any loss caused by a failure to comply with this title. Loss
27 caused by a failure to comply [with a request under § 9-210] may include loss
28 resulting from the debtor's inability to obtain, or increased costs of, alternative
29 financing.

30 (c) Except as otherwise provided in § 9-628:

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

34 (2) If the collateral is consumer goods, a person that was a debtor or a
35 secondary obligor at the time a secured party failed to comply with this part may

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

4 (d) A debtor whose deficiency is eliminated under § 9-626 may recover
5 damages for the loss of any surplus. However, a debtor or secondary obligor whose
6 deficiency is eliminated or reduced under § 9-626 may not otherwise recover under
7 subsection (b) for noncompliance with the provisions of this part relating to collection,
8 enforcement, disposition, or acceptance.

9 (e) If a secured party fails to comply with a request regarding a list of
10 collateral or a statement of account under § 9-210, the secured party may claim a
11 security interest only as shown in the LIST OR statement included in the request as
12 against a person that is reasonably misled by the failure.

13 9-702.

14 (a) Except as otherwise provided in this subtitle, this title applies to a
15 transaction or lien within its scope, even if the transaction or lien was entered into or
16 created before this title takes effect.

17 (b) Except as otherwise provided in subsection (c) and §§ 9-703 through
18 [9-708] 9-709:

19 (1) Transactions and liens that were not governed by the original Code or
20 the prior Code, were validly entered into or created before this title takes effect, and
21 would be subject to this title if they had been entered into or created after this title
22 takes effect, and the rights, duties, and interests flowing from those transactions and
23 liens remain valid after this title takes effect; and

24 (2) The transactions and liens may be terminated, completed,
25 consummated, and enforced as required or permitted by this title or by the law that
26 otherwise would apply if this title had not taken effect.

27 (c) This title does not affect an action, case, or proceeding commenced before
28 this title takes effect.

29 9-705.

30 (c) This title does not render ineffective an effective financing statement that,
31 BEFORE THIS TITLE TAKES EFFECT, is filed [before this title takes effect] and
32 [satisfied] SATISFIES the applicable requirements for perfection under the law of the
33 jurisdiction governing perfection as provided in the prior Code. However, except as
34 otherwise provided in subsections (d) and (e) and § 9-706, the financing statement
35 ceases to be effective at the earlier of:

36 (1) The time the financing statement would have ceased to be effective
37 under the law of the jurisdiction in which it is filed; or

38 (2) June 30, 2006.

1 (e) Subsection (c)(2) applies to a financing statement that, BEFORE THIS
2 TITLE TAKES EFFECT, is filed against a transmitting utility [before this title takes
3 effect] and [satisfied] SATISFIES the applicable requirements for perfection under
4 the law of the jurisdiction governing perfection as provided in prior Code § 9-103,
5 only to the extent that Subtitle 3 of this title provides that the law of a jurisdiction
6 other than THE jurisdiction in which the financing statement is filed governs
7 perfection of a security interest in collateral covered by the financing statement.

8 9-706.

9 (a) The filing of an initial financing statement in the office specified in §
10 9-501 continues the effectiveness of a financing statement filed before this title takes
11 effect [for the period provided in § 9-515 with respect to an initial financing
12 statement] if:

13 (1) The filing of an initial financing statement in that office would be
14 effective to perfect a security interest under this title;

15 (2) The pre-effective-date financing statement was filed in an office in
16 another state or another office in this State; and

17 (3) The initial financing statement satisfies subsection [(b)] (C).

18 (B) THE FILING OF AN INITIAL FINANCING STATEMENT UNDER SUBSECTION
19 (A) CONTINUES THE EFFECTIVENESS OF THE PRE-EFFECTIVE-DATE FINANCING
20 STATEMENT:

21 (1) IF THE INITIAL FINANCING STATEMENT IS FILED BEFORE THIS
22 TITLE TAKES EFFECT, FOR THE PERIOD PROVIDED IN PRIOR CODE § 9-403 WITH
23 RESPECT TO A FINANCING STATEMENT; AND

24 (2) IF THE INITIAL FINANCING STATEMENT IS FILED AFTER THIS TITLE
25 TAKES EFFECT, FOR THE PERIOD IN § 9-515 WITH RESPECT TO AN INITIAL
26 FINANCING STATEMENT.

27 [(b)] (C) To be effective for purposes of subsection (a), an initial financing
28 statement must:

29 (1) Satisfy the requirements of Subtitle 5 of this title for an initial
30 financing statement;

31 (2) Identify the pre-effective-date financing statement by indicating the
32 office in which the financing statement was filed and providing the dates of filing and
33 file numbers, if any, of the financing statement and of the most recent continuation
34 statement filed with respect to the financing statement; and

35 (3) Indicate that the pre-effective-date financing statement remains
36 effective.

1 9-707.

2 (A) IN THIS SECTION, "PRE-EFFECTIVE-DATE FINANCING STATEMENT"
3 MEANS A FINANCING STATEMENT FILED BEFORE THIS TITLE TAKES EFFECT.

4 (B) AFTER THIS TITLE TAKES EFFECT, A PERSON MAY ADD OR DELETE
5 COLLATERAL COVERED BY, CONTINUE OR TERMINATE THE EFFECTIVENESS OF, OR
6 OTHERWISE AMEND THE INFORMATION PROVIDED IN, A PRE-EFFECTIVE-DATE
7 FINANCING STATEMENT ONLY IN ACCORDANCE WITH THE LAW OF THE
8 JURISDICTION GOVERNING PERFECTION AS PROVIDED IN SUBTITLE 3 OF THIS TITLE.
9 HOWEVER, THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE FINANCING
10 STATEMENT ALSO MAY BE TERMINATED IN ACCORDANCE WITH THE LAW OF THE
11 JURISDICTION IN WHICH THE FINANCING STATEMENT IS FILED.

12 (C) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (D), IF THE LAW OF
13 THIS STATE GOVERNS PERFECTION OF A SECURITY INTEREST, THE INFORMATION IN
14 A PRE-EFFECTIVE-DATE FINANCING STATEMENT MAY BE AMENDED AFTER THIS
15 TITLE TAKES EFFECT ONLY IF:

16 (1) THE PRE-EFFECTIVE-DATE FINANCING STATEMENT AND AN
17 AMENDMENT ARE FILED IN THE OFFICE SPECIFIED IN § 9-501;

18 (2) AN AMENDMENT IS FILED IN THE OFFICE SPECIFIED IN § 9-501
19 CONCURRENTLY WITH, OR AFTER THE FILING IN THAT OFFICE OF, AN INITIAL
20 FINANCING STATEMENT THAT SATISFIES § 9-706(C); OR

21 (3) AN INITIAL FINANCING STATEMENT THAT PROVIDES THE
22 INFORMATION AS AMENDED AND SATISFIES § 9-706(C) IS FILED IN THE OFFICE
23 SPECIFIED IN § 9-501.

24 (D) IF THE LAW OF THIS STATE GOVERNS PERFECTION OF A SECURITY
25 INTEREST, THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE FINANCING
26 STATEMENT MAY BE CONTINUED ONLY UNDER § 9-705(D) AND (F) OR § 9-706.

27 (E) WHETHER OR NOT THE LAW OF THIS STATE GOVERNS THE PERFECTION
28 OF A SECURITY INTEREST, THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE
29 FINANCING STATEMENT FILED IN THIS STATE MAY BE TERMINATED AFTER THIS
30 TITLE TAKES EFFECT BY FILING A TERMINATION STATEMENT IN THE OFFICE IN
31 WHICH THE PRE-EFFECTIVE-DATE FINANCING STATEMENT IS FILED, UNLESS AN
32 INITIAL FINANCING STATEMENT THAT SATISFIES § 9-706(C) HAS BEEN FILED IN THE
33 OFFICE SPECIFIED BY THE LAW OF THE JURISDICTION GOVERNING PERFECTION AS
34 PROVIDED IN SUBTITLE 3 OF THIS TITLE AS THE OFFICE IN WHICH TO FILE A
35 FINANCING STATEMENT.

36 [9-707.] 9-708.

37 A person may file an initial financing statement or a continuation statement
38 under this part if:

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

- 1 (2) The filing is necessary under this subtitle:
- 2 (A) To continue the effectiveness of a financing statement filed
3 before this title takes effect; or
- 4 (B) To perfect or continue the perfection of a security interest.

5 [9-708.] 9-709.

6 (a) [The prior Code determines the priority of conflicting claims to collateral if
7 the relative priorities of the parties were fixed before this title takes effect. In other
8 cases, this title determines priority.] THIS TITLE DETERMINES THE PRIORITY OF
9 CONFLICTING CLAIMS TO COLLATERAL. HOWEVER, IF THE RELATIVE PRIORITIES OF
10 THE CLAIMS WERE ESTABLISHED BEFORE THIS TITLE TAKES EFFECT, THE PRIOR
11 CODE DETERMINES PRIORITY.

12 (b) [For purposes of § 9-322(a), the priority of a security interest that becomes
13 a perfected security interest under § 9-704 dates from the time the applicable
14 requirements for perfection are satisfied. This subsection does not apply to conflicting
15 security interests each of which becomes a perfected security interest under § 9-704.

16 (c)] For purposes of § 9-322(a), the priority of a security interest that becomes
17 enforceable under § 9-203 of this title dates from the time this title takes effect if the
18 security interest is perfected under this title by the filing of a financing statement
19 before this title takes effect which would not have been effective to perfect the
20 security interest under the prior Code. This subsection does not apply to conflicting
21 security interests each of which is perfected by the filing of such a financing
22 statement.

23 SECTION ~~2~~. 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
24 read as follows:

25 **Article - Natural Resources**

26 8-728.

27 Sections 8-729 through 8-736 of this subtitle do not apply to or affect:

- 28 (1) A lien given by statute or rule of law to a supplier of services or
29 materials for the vessel;
- 30 (2) A lien given by statute to the United States, the State, or any political
31 subdivision of the State;
- 32 (3) A security interest in a vessel [created by a manufacturer or dealer
33 who holds the vessel for sale, but a buyer in the ordinary course of trade from the
34 manufacturer or dealer takes free of the security interest] DURING ANY PERIOD IN
35 WHICH THE VESSEL IS INVENTORY HELD FOR SALE OR LEASE BY A PERSON OR
36 LEASED BY THAT PERSON AS LESSOR AND THAT PERSON IS IN THE BUSINESS OF
37 SELLING VESSELS;

1 (4) Any lien arising out of an attachment of a vessel;

2 (5) Any security interest claimed on proceeds, as defined in [§ 9-306 (1)]
3 § 9-102(A)(64) of the Commercial Law Article, if the original security interest did not
4 have to be noted on the certificate of title in order to be perfected; or

5 (6) Any vessel for which a certificate of title is not required under this
6 subtitle.

7 8-729.

8 (b) A security interest is perfected by the delivery to the Department of the
9 existing certificate of title, if any, and an application for certificate of title on a form
10 provided or approved by the Department containing information regarding the
11 security interest, and upon payment of a filing fee of \$15. Four dollars of this filing fee
12 shall be treated as described in § 8-723 of this subtitle. The security interest is
13 perfected [as of the time of its creation if delivery and payment to the Department are
14 completed within 30 days of the date of its creation, otherwise perfection is as of] AT
15 the time of [its] THE delivery and payment.

16 8-730.

17 (c) At the time of delivery of the documents described in subsection (b) of this
18 section to the Department, the secured party shall pay to the Department a filing fee
19 as required for perfection of the security interest under § 8-729(b) of this subtitle. The
20 security interest is perfected [as of] AT the time of [its creation if delivery and
21 payment to the Department are completed within 30 days of the date of its creation,
22 otherwise perfection shall be as of the time of its] THE delivery and payment.

23

Article - Transportation

24 13-201.

25 (a) In this subtitle, "perfected", as used in reference to a security interest,
26 means that it is valid against third parties generally, subject only to specific statutory
27 exceptions.

28 (b) This subtitle does not apply to or affect:

29 (1) Any lien given by statute or rule of law to a supplier of services or
30 materials for a vehicle;

31 (2) Any lien given by statute to the United States, this State, or any
32 political subdivision of this State;

33 (3) Any security interest in a vehicle [created by a manufacturer or
34 dealer who holds the vehicle for sale] DURING ANY PERIOD IN WHICH THE VEHICLE
35 IS INVENTORY HELD FOR SALE OR LEASE BY A PERSON OR LEASED BY THAT PERSON
36 AS LESSOR AND THAT PERSON IS IN THE BUSINESS OF SELLING VEHICLES;

1 (4) Any lien arising out of an attachment of a vehicle;

2 (5) Any security interest claimed on proceeds, as that term is defined in
 3 Title 9 of the Commercial Law Article (Maryland Uniform Commercial Code --
 4 Secured Transactions), if the original security interest did not have to be noted on the
 5 certificate of title in order to be perfected; or

6 (6) Any vehicle for which a certificate of title is not required under this
 7 title.

8 13-202.

9 (b) (1) A security interest is perfected by:

10 (i) Delivery to the Administration of every existing certificate of
 11 title of the vehicle and an application for certificate of title on the form and containing
 12 the information about the security interest that the Administration requires; and

13 (ii) Payment of a filing fee established by the Administration,
 14 which is in addition to any other fees that apply under the Maryland Vehicle Law.

15 (2) The security interest is perfected [at the time of its creation, if the
 16 delivery and payment to the Administration are completed within 10 days of the date
 17 of its creation. Otherwise, the security interest is perfected] at the time of the
 18 delivery and payment.

19 (E) PRIORITY OF A SECURITY INTEREST IN A VEHICLE PERFECTED AS
 20 PROVIDED UNDER THIS SECTION IS GOVERNED BY TITLE 9 OF THE COMMERCIAL
 21 LAW ARTICLE, INCLUDING § 9-317(E).

22 ~~SECTION 3.4. AND BE IT FURTHER ENACTED, That Section 4 of this Act~~
 23 ~~shall take effect July 1, 2001, the effective date of Chapter 282 of the Acts of the~~
 24 ~~General Assembly of 1999. If the effective date of Chapter 282 is amended, this Act~~
 25 ~~shall take effect on the taking effect of Chapter 282.~~

26 ~~SECTION 4. AND BE IT FURTHER ENACTED, That, subject to the provisions~~
 27 ~~of Section 3 of this Act, this Act shall take effect July 1, 2001.~~