

SENATE BILL 286

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2003 Regular Session  
3r1599  
CF 3r1523

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By: **Senator Kelley**  
Introduced and read first time: January 31, 2003  
Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law - Uniform Commercial Code - Title 9 - Miscellaneous**

3 FOR the purpose of altering the definitions of "agricultural lien" and  
4 "health-care-insurance receivable" under Title 9 of the Uniform Commercial  
5 Code; establishing that a sale by an individual of an account that is a right to  
6 payment of winnings in a lottery or other game of chance is automatically  
7 perfected; clarifying the date on which certain financing statements lapse;  
8 correcting a certain erroneous reference in a certain provision of law relating to  
9 rules to determine a bank's jurisdiction for purposes of Title 9 of the Uniform  
10 Commercial Code; and generally relating to Title 9 of the Uniform Commercial  
11 Code.

12 BY repealing and reenacting, with amendments,  
13 Article - Commercial Law  
14 Section 9-102(a)(5) and (46), 9-304(b)(1), 9-309, 9-705, and 9-706  
15 Annotated Code of Maryland  
16 (2002 Replacement Volume and 2002 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article - Commercial Law**

20 9-102.

21 (a) In this title:

22 (5) "Agricultural lien" means an interest[, other than a security  
23 interest,] in farm products:

24 (A) Which secures payment or performance of an obligation for:

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

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

3 (B) Which is created by statute in favor of a person that:

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

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

8 (C) Whose effectiveness does not depend on the person's possession  
9 of the personal property.

10 (46) "Health-care-insurance receivable" means an interest in or claim  
11 under a policy of insurance which is a right to payment of a monetary obligation for  
12 health-care goods or services provided OR TO BE PROVIDED.

13 9-304.

14 (b) The following rules determine a bank's jurisdiction for purposes of this  
15 subtitle:

16 (1) If an agreement between the bank and [the debtor] ITS CUSTOMER  
17 governing the deposit account expressly provides that a particular jurisdiction is the  
18 bank's jurisdiction for purposes of this subtitle, this title, or Titles 1 through 10 of this  
19 article, that jurisdiction is the bank's jurisdiction.

20 9-309.

21 The following security interests are perfected when they attach:

22 (1) A purchase-money security interest in consumer goods, except as  
23 otherwise provided in § 9-311(b) with respect to consumer goods that are subject to a  
24 statute or treaty described in § 9-311(a);

25 (2) An assignment of accounts or payment intangibles which does not by  
26 itself or in conjunction with other assignments to the same assignee transfer a  
27 significant part of the assignor's outstanding accounts or payment intangibles;

28 (3) A sale of a payment intangible;

29 (4) A sale of a promissory note;

30 (5) A security interest created by the assignment of a  
31 health-care-insurance receivable to the provider of the health-care goods or services;

32 (6) A security interest arising under § 2-401, § 2-505, § 2-711(3), or §  
33 2A-508(5) of this article, until the debtor obtains possession of the collateral;

1 (7) A security interest of a collecting bank arising under § 4-210 of this  
2 article;

3 (8) A security interest of an issuer or nominated person arising under §  
4 5-118 of this article;

5 (9) A security interest arising in the delivery of a financial asset under §  
6 9-206(c);

7 (10) A security interest in investment property created by a broker or  
8 securities intermediary;

9 (11) A security interest in a commodity contract or a commodity account  
10 created by a commodity intermediary;

11 (12) An assignment for the benefit of all creditors of the transferor and  
12 subsequent transfers by the assignee thereunder; [and]

13 (13) A security interest created by an assignment of a beneficial interest  
14 in a decedent's estate; AND

15 (14) A SALE BY AN INDIVIDUAL OF AN ACCOUNT THAT IS A RIGHT TO  
16 PAYMENT OF WINNINGS IN A LOTTERY OR OTHER GAME OF CHANCE.

17 9-705.

18 (a) If action, other than the filing of a financing statement, is taken before this  
19 title takes effect and the action would have resulted in priority of a security interest  
20 over the rights of a person that becomes a lien creditor had the security interest  
21 become enforceable before this title takes effect, the action is effective to perfect a  
22 security interest that attaches under this title within one year after this title takes  
23 effect. An attached security interest becomes unperfected one year after this title  
24 takes effect unless the security interest becomes a perfected security interest under  
25 this title before the expiration of that period.

26 (b) The filing of a financing statement before this title takes effect is effective  
27 to perfect a security interest to the extent the filing would satisfy the applicable  
28 requirements for perfection under this title.

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

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

36 (2) June 30, 2006.

1 (D) SUBSECTION (C) APPLIES TO ALL FINANCING STATEMENTS FILED IN THIS  
2 STATE BEFORE THIS TITLE TAKES EFFECT, INCLUDING THOSE FILED WITH RESPECT  
3 TO SECURITY INTERESTS IN COLLATERAL GOVERNED AS TO PERFECTION BY THE  
4 LOCAL LAW OF THIS STATE UNDER THE PRIOR CODE AND THIS TITLE.

5 [(d)] (E) The filing of a continuation statement after this title takes effect does  
6 not continue the effectiveness of the financing statement filed before this title takes  
7 effect. However, upon the timely filing of a continuation statement after this title  
8 takes effect and in accordance with the law of the jurisdiction governing perfection as  
9 provided in Subtitle 3 of this title, the effectiveness of a financing statement filed in  
10 the same office in that jurisdiction before this title takes effect continues for the  
11 period provided by the law of that jurisdiction.

12 [(e)] (F) Subsection (c)(2) applies to a financing statement that, before this  
13 title takes effect, is filed against a transmitting utility and satisfies the applicable  
14 requirements for perfection under the law of the jurisdiction governing perfection as  
15 provided in prior Code § 9-103, only to the extent that Subtitle 3 of this title provides  
16 that the law of a jurisdiction other than the jurisdiction in which the financing  
17 statement is filed governs perfection of a security interest in collateral covered by the  
18 financing statement.

19 [(f)] (G) A financing statement that includes a financing statement filed  
20 before this title takes effect and a continuation statement filed after this title takes  
21 effect is effective only to the extent that it satisfies the requirements of Subtitle 5 of  
22 this title for an initial financing statement.

23 9-706.

24 (a) The filing of an initial financing statement in the office specified in §  
25 9-501 continues the effectiveness of a financing statement filed before this title takes  
26 effect if:

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

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

31 (3) The initial financing statement satisfies subsection (c).

32 (b) The filing of an initial financing statement under subsection (a) continues  
33 the effectiveness of the pre-effective-date financing statement[:

34 (1) If the initial financing statement is filed before this title takes effect,  
35 for the period provided in prior Code § 9-403 with respect to a financing statement;  
36 and

37 (2) If the initial financing statement is filed after this title takes effect,]  
38 for the period in § 9-515 with respect to an initial financing statement.

1 (c) To be effective for purposes of subsection (a), an initial financing statement  
2 must:

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

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

9 (3) Indicate that the pre-effective-date financing statement remains  
10 effective.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 June 1, 2003.