

SSB 5077 - H COMM AMD

By Committee on Civil Rights & Judiciary

ADOPTED 04/06/2023

1 Strike everything after the enacting clause and insert the  
2 following:

3 "PART I

4 **Sec. 101.** RCW 62A.1-201 and 2012 c 214 s 109 are each amended to  
5 read as follows:

6 (a) Unless the context otherwise requires, words or phrases  
7 defined in this section, or in the additional definitions contained  
8 in other articles of this title that apply to particular articles or  
9 parts thereof, have the meanings stated.

10 (b) Subject to definitions contained in other articles of this  
11 title that apply to particular articles or parts thereof:

12 (1) "Action," in the sense of a judicial proceeding, includes  
13 recoupment, counterclaim, set-off, suit in equity, and any other  
14 proceeding in which rights are determined.

15 (2) "Aggrieved party" means a party entitled to pursue a remedy.

16 (3) "Agreement," as distinguished from "contract," means the  
17 bargain of the parties in fact, as found in their language or  
18 inferred from other circumstances, including course of performance,  
19 course of dealing, or usage of trade as provided in RCW 62A.1-303.

20 (4) "Bank" means a person engaged in the business of banking and  
21 includes a savings bank, savings and loan association, credit union,  
22 and trust company.

23 (5) "Bearer" means a person in control of a negotiable electronic  
24 document of title or a person in possession of a negotiable  
25 instrument, negotiable tangible document of title, or certificated  
26 security that is payable to bearer or indorsed in blank.

27 (6) "Bill of lading" means a document of title evidencing the  
28 receipt of goods for shipment issued by a person engaged in the  
29 business of directly or indirectly transporting or forwarding goods.  
30 The term does not include a warehouse receipt.

1 (7) "Branch" includes a separately incorporated foreign branch of  
2 a bank.

3 (8) "Burden of establishing" a fact means the burden of  
4 persuading the trier of fact that the existence of the fact is more  
5 probable than its nonexistence.

6 (9) "Buyer in ordinary course of business" means a person that  
7 buys goods in good faith, without knowledge that the sale violates  
8 the rights of another person in the goods, and in the ordinary course  
9 from a person, other than a pawnbroker, in the business of selling  
10 goods of that kind. A person buys goods in the ordinary course if the  
11 sale to the person comports with the usual or customary practices in  
12 the kind of business in which the seller is engaged or with the  
13 seller's own usual or customary practices. A person that sells oil,  
14 gas, or other minerals at the wellhead or minehead is a person in the  
15 business of selling goods of that kind. A buyer in ordinary course of  
16 business may buy for cash, by exchange of other property, or on  
17 secured or unsecured credit, and may acquire goods or documents of  
18 title under a preexisting contract for sale. Only a buyer that takes  
19 possession of the goods or has a right to recover the goods from the  
20 seller under Article 2 of this title may be a buyer in ordinary  
21 course of business. "Buyer in ordinary course of business" does not  
22 include a person that acquires goods in a transfer in bulk or as  
23 security for or in total or partial satisfaction of a money debt.

24 (10) "Conspicuous," with reference to a term, means so written,  
25 displayed, or presented that, based on the totality of the  
26 circumstances, a reasonable person against which it is to operate  
27 ought to have noticed it. Whether a term is "conspicuous" or not is a  
28 decision for the court. (~~Conspicuous terms include the following:~~

29 ~~(A) A heading in capitals equal to or greater in size than the~~  
30 ~~surrounding text, or in contrasting type, font, or color to the~~  
31 ~~surrounding text of the same or lesser size; and~~

32 ~~(B) Language in the body of a record or display in larger type~~  
33 ~~than the surrounding text, or in contrasting type, font, or color to~~  
34 ~~the surrounding text of the same size, or set off from surrounding~~  
35 ~~text of the same size by symbols or other marks that call attention~~  
36 ~~to the language.))~~

37 (11) "Consumer" means an individual who enters into a transaction  
38 primarily for personal, family, or household purposes.

39 (12) "Contract," as distinguished from "agreement," means the  
40 total legal obligation that results from the parties' agreement as

1 determined by this title as supplemented by any other applicable  
2 laws.

3 (13) "Creditor" includes a general creditor, a secured creditor,  
4 a lien creditor, and any representative of creditors, including an  
5 assignee for the benefit of creditors, a trustee in bankruptcy, a  
6 receiver in equity, and an executor or administrator of an insolvent  
7 debtor's or assignor's estate.

8 (14) "Defendant" includes a person in the position of defendant  
9 in a counterclaim, cross-claim, or third-party claim.

10 (15) "Delivery," with respect to an electronic document of title,  
11 means voluntary transfer of control and, with respect to an  
12 instrument, a tangible document of title, or an authoritative  
13 tangible copy of a record evidencing chattel paper, means voluntary  
14 transfer of possession.

15 (16) "Document of title" means a record (i) that in the regular  
16 course of business or financing is treated as adequately evidencing  
17 that the person in possession or control of the record is entitled to  
18 receive, control, hold, and dispose of the record and the goods the  
19 record covers and (ii) that purports to be issued by or addressed to  
20 a bailee and to cover goods in the bailee's possession which are  
21 either identified or are fungible portions of an identified mass. The  
22 term includes a bill of lading, transport document, dock warrant,  
23 dock receipt, warehouse receipt, and order for delivery of goods. An  
24 electronic document of title means a document of title evidenced by a  
25 record consisting of information stored in an electronic medium. A  
26 tangible document of title means a document of title evidenced by a  
27 record consisting of information that is inscribed on a tangible  
28 medium.

29 (16A) "Electronic" means relating to technology having  
30 electrical, digital, magnetic, wireless, optical, electromagnetic, or  
31 similar capabilities.

32 (17) "Fault" means a default, breach, or wrongful act or  
33 omission.

34 (18) "Fungible goods" means:

35 (A) Goods of which any unit, by nature or usage of trade, is the  
36 equivalent of any other like unit; or

37 (B) Goods that by agreement are treated as equivalent.

38 (19) "Genuine" means free of forgery or counterfeiting.

1 (20) "Good faith," except as otherwise provided in Article 5 of  
2 this title, means honesty in fact and the observance of reasonable  
3 commercial standards of fair dealing.

4 (21) "Holder" with respect to a negotiable instrument, means:

5 (A) The person in possession of a negotiable instrument that is  
6 payable either to bearer or to an identified person that is the  
7 person in possession;

8 (B) The person in possession of a negotiable tangible document of  
9 title if the goods are deliverable either to bearer or to the order  
10 of the person in possession; or

11 (C) The person in control, other than pursuant to RCW  
12 62A.7-106(g), of a negotiable electronic document of title.

13 (22) "Insolvency proceeding" includes an assignment for the  
14 benefit of creditors or other proceeding intended to liquidate or  
15 rehabilitate the estate of the person involved.

16 (23) "Insolvent" means:

17 (A) Having generally ceased to pay debts in the ordinary course  
18 of business other than as a result of bona fide dispute;

19 (B) Being unable to pay debts as they become due; or

20 (C) Being insolvent within the meaning of federal bankruptcy law.

21 (24) "Money" means a medium of exchange that is currently  
22 authorized or adopted by a domestic or foreign government. The term  
23 includes a monetary unit of account established by an  
24 intergovernmental organization or by agreement between two or more  
25 countries. The term does not include an electronic record that is a  
26 medium of exchange recorded and transferable in a system that existed  
27 and operated for the medium of exchange before the medium of exchange  
28 was authorized or adopted by the government.

29 (25) "Organization" means a person other than an individual.

30 (26) "Party," as distinguished from "third party," means a person  
31 that has engaged in a transaction or made an agreement subject to  
32 this title.

33 (27) "Person" means an individual, corporation, business trust,  
34 estate, trust, partnership, limited liability company, association,  
35 joint venture, government, governmental subdivision, agency, or  
36 instrumentality, ~~((public corporation,))~~ or any other legal or  
37 commercial entity. The term includes a protected series, however  
38 denominated, of an entity if the protected series is established  
39 under law other than this title that limits, or limits if conditions  
40 specified under the law are satisfied, the ability of a creditor of

1 the entity or of any other protected series of the entity to satisfy  
2 a claim from assets of the protected series.

3 (28) "Present value" means the amount as of a date certain of one  
4 or more sums payable in the future, discounted to the date certain by  
5 use of either an interest rate specified by the parties if that rate  
6 is not manifestly unreasonable at the time the transaction is entered  
7 into or, if an interest rate is not so specified, a commercially  
8 reasonable rate that takes into account the facts and circumstances  
9 at the time the transaction is entered into.

10 (29) "Purchase" means taking by sale, lease, discount,  
11 negotiation, mortgage, pledge, lien, security interest, issue or  
12 reissue, gift, or any other voluntary transaction creating an  
13 interest in property.

14 (30) "Purchaser" means a person that takes by purchase.

15 (31) "Record" means information that is inscribed on a tangible  
16 medium or that is stored in an electronic or other medium and is  
17 retrievable in perceivable form.

18 (32) "Remedy" means any remedial right to which an aggrieved  
19 party is entitled with or without resort to a tribunal.

20 (33) "Representative" means a person empowered to act for  
21 another, including an agent, an officer of a corporation or  
22 association, and a trustee, executor, or administrator of an estate.

23 (34) "Right" includes remedy.

24 (35) "Security interest" means an interest in personal property  
25 or fixtures which secures payment or performance of an obligation.  
26 "Security interest" includes any interest of a consignor and a buyer  
27 of accounts, chattel paper, a payment intangible, or a promissory  
28 note in a transaction that is subject to Article 9A of this title.  
29 "Security interest" does not include the special property interest of  
30 a buyer of goods on identification of those goods to a contract for  
31 sale under RCW 62A.2-401, but a buyer may also acquire a "security  
32 interest" by complying with Article 9A of this title. Except as  
33 otherwise provided in RCW 62A.2-505, the right of a seller or lessor  
34 of goods under Article 2 or 2A of this title to retain or acquire  
35 possession of the goods is not a "security interest," but a seller or  
36 lessor may also acquire a "security interest" by complying with  
37 Article 9A of this title. The retention or reservation of title by a  
38 seller of goods notwithstanding shipment or delivery to the buyer  
39 under RCW 62A.2-401 is limited in effect to a reservation of a  
40 "security interest." Whether a transaction in the form of a lease

1 creates a "security interest" is determined pursuant to RCW  
2 62A.1-203.

3 (36) "Send," in connection with a (~~writing~~) record(~~(r)~~) or  
4 (~~notice~~) notification, means:

5 (A) To deposit in the mail (~~(or)~~), deliver for transmission, or  
6 transmit by any other usual means of communication, with postage or  
7 cost of transmission provided for (~~and properly addressed and, in~~  
8 ~~the case of an instrument, to an address specified thereon or~~  
9 ~~otherwise agreed, or if there be none~~), addressed to any address  
10 reasonable under the circumstances; or

11 (B) (~~In any other way to cause to be received any record or~~  
12 ~~notice within the time it would have arrived if properly sent~~) to  
13 cause the record or notification to be received within the time it  
14 would have been received if properly sent under (36)(A) of this  
15 subsection.

16 (37) (~~"Signed" includes using any symbol executed or adopted~~  
17 ~~with present intention to adopt or accept a writing.~~) "Sign" means,  
18 with present intent to authenticate or adopt a record:

19 (A) Execute or adopt a tangible symbol; or

20 (B) Attach to or logically associate with the record an  
21 electronic symbol, sound, or process.

22 "Signed," "signing," and "signature" have corresponding meanings.

23 (38) "State" means a State of the United States, the District of  
24 Columbia, Puerto Rico, the United States Virgin Islands, or any  
25 territory or insular possession subject to the jurisdiction of the  
26 United States.

27 (39) "Surety" includes a guarantor or other secondary obligor.

28 (40) "Term" means a portion of an agreement that relates to a  
29 particular matter.

30 (41) "Unauthorized signature" means a signature made without  
31 actual, implied, or apparent authority. The term includes a forgery.

32 (42) "Warehouse receipt" means a document of title issued by a  
33 person engaged in the business of storing goods for hire.

34 (43) "Writing" includes printing, typewriting, or any other  
35 intentional reduction to tangible form. "Written" has a corresponding  
36 meaning.

37 **Sec. 102.** RCW 62A.1-204 and 2012 c 214 s 112 are each amended to  
38 read as follows:

1 Except as otherwise provided in Articles 3, 4, (~~and~~) 5, and 12  
2 of this title, a person gives value for rights if the person acquires  
3 them:

4 (1) In return for a binding commitment to extend credit or for  
5 the extension of immediately available credit, whether or not drawn  
6 upon and whether or not a charge-back is provided for in the event of  
7 difficulties in collection;

8 (2) As security for, or in total or partial satisfaction of, a  
9 preexisting claim;

10 (3) By accepting delivery under a preexisting contract for  
11 purchase; or

12 (4) In return for any consideration sufficient to support a  
13 simple contract.

14 **Sec. 103.** RCW 62A.1-301 and 2012 c 214 s 115 are each amended to  
15 read as follows:

16 (a) Except as otherwise provided in this section, when a  
17 transaction bears a reasonable relation to this state and also to  
18 another state or nation the parties may agree that the law either of  
19 this state or of such other state or nation shall govern their rights  
20 and duties.

21 (b) In the absence of an agreement effective under subsection (a)  
22 of this section, and except as provided in subsection (c) of this  
23 section, this title applies to transactions bearing an appropriate  
24 relation to this state.

25 (c) If one of the following provisions of this title specifies  
26 the applicable law, that provision governs and a contrary agreement  
27 is effective only to the extent permitted by the law so specified:

28 (1) RCW 62A.2-402;

29 (2) RCW 62A.2A-105 and 62A.2A-106;

30 (3) RCW 62A.4-102;

31 (4) RCW 62A.4A-507;

32 (5) RCW 62A.5-116;

33 (6) RCW 62A.8-110;

34 (7) RCW 62A.9A-301 through 62A.9A-307; and

35 (8) Section 1007 of this act.

36 **Sec. 104.** RCW 62A.1-306 and 2012 c 214 s 120 are each amended to  
37 read as follows:

1 A claim or right arising out of an alleged breach may be  
2 discharged in whole or in part without consideration by agreement of  
3 the aggrieved party in ~~((an authenticated))~~ a signed record.

4 **PART II**

5 **Sec. 201.** RCW 62A.2-102 and 1965 ex.s. c 157 s 2-102 are each  
6 amended to read as follows:

7 ~~((Unless the context otherwise requires, this Article applies to  
8 transactions in goods; it does not apply to any transaction which  
9 although in the form of an unconditional contract to sell or present  
10 sale is intended to operate only as a security transaction nor does  
11 this Article impair or repeal any statute regulating sales to  
12 consumers, farmers or other specified classes of buyers.))~~ (1) Unless  
13 the context otherwise requires, and except as provided in subsection  
14 (3) of this section, this Article applies to transactions in goods  
15 and, in the case of a hybrid transaction, it applies to the extent  
16 provided in subsection (2) of this section.

17 (2) In a hybrid transaction:

18 (a) If the sale-of-goods aspects do not predominate, only the  
19 provisions of this Article which relate primarily to the sale-of-  
20 goods aspects of the transaction apply, and the provisions that  
21 relate primarily to the transaction as a whole do not apply.

22 (b) If the sale-of-goods aspects predominate, this Article  
23 applies to the transaction but does not preclude application in  
24 appropriate circumstances of other law to aspects of the transaction  
25 which do not relate to the sale of goods.

26 (3) This Article does not:

27 (a) Apply to a transaction that, even though in the form of an  
28 unconditional contract to sell or present sale, operates only to  
29 create a security interest; or

30 (b) Impair or repeal a statute regulating sales to consumers,  
31 farmers, or other specified classes of buyers.

32 **Sec. 202.** RCW 62A.2-106 and 1965 ex.s. c 157 s 2-106 are each  
33 amended to read as follows:

34 (1) In this Article unless the context otherwise requires  
35 "contract" and "agreement" are limited to those relating to the  
36 present or future sale of goods. "Contract for sale" includes both a  
37 present sale of goods and a contract to sell goods at a future time.



1 A "sale" consists in the passing of title from the seller to the  
2 buyer for a price (RCW 62A.2-401). A "present sale" means a sale  
3 which is accomplished by the making of the contract.

4 (2) Goods or conduct including any part of a performance are  
5 "conforming" or conform to the contract when they are in accordance  
6 with the obligations under the contract.

7 (3) "Termination" occurs when either party pursuant to a power  
8 created by agreement or law puts an end to the contract otherwise  
9 than for its breach. On "termination" all obligations which are still  
10 executory on both sides are discharged but any right based on prior  
11 breach or performance survives.

12 (4) "Cancellation" occurs when either party puts an end to the  
13 contract for breach by the other and its effect is the same as that  
14 of "termination" except that the canceling party also retains any  
15 remedy for breach of the whole contract or any unperformed balance.

16 (5) "Hybrid transaction" means a single transaction involving a  
17 sale of goods and:

18 (a) The provision of services;

19 (b) A lease of other goods; or

20 (c) A sale, lease, or license of property other than goods.

21 **Sec. 203.** RCW 62A.2-201 and 2013 c 23 s 126 are each amended to  
22 read as follows:

23 (1) Except as otherwise provided in this section, a contract for  
24 the sale of goods for the price of (~~five hundred dollars~~) \$500 or  
25 more is not enforceable by way of action or defense unless there is  
26 (~~some writing~~) a record sufficient to indicate that a contract for  
27 sale has been made between the parties and signed by the party  
28 against whom enforcement is sought or by (~~his or her~~) the party's  
29 authorized agent or broker. A (~~writing~~) record is not insufficient  
30 because it omits or incorrectly states a term agreed upon but the  
31 contract is not enforceable under this (~~paragraph~~) subsection  
32 beyond the quantity of goods shown in (~~such writing~~) the record.

33 (2) Between merchants if within a reasonable time a (~~writing~~)  
34 record in confirmation of the contract and sufficient against the  
35 sender is received and the party receiving it has reason to know its  
36 contents, it satisfies the requirements of subsection (1) of this  
37 section against (~~such~~) the party unless (~~written~~) notice in a  
38 record of objection to its contents is given within (~~ten~~) 10 days  
39 after it is received.

1 (3) A contract which does not satisfy the requirements of  
2 subsection (1) of this section but which is valid in other respects  
3 is enforceable:

4 (a) If the goods are to be specially manufactured for the buyer  
5 and are not suitable for sale to others in the ordinary course of the  
6 seller's business and the seller, before notice of repudiation is  
7 received and under circumstances which reasonably indicate that the  
8 goods are for the buyer, has made either a substantial beginning of  
9 their manufacture or commitments for their procurement; or

10 (b) If the party against whom enforcement is sought admits in his  
11 or her pleading, testimony, or otherwise in court that a contract for  
12 sale was made, but the contract is not enforceable under this  
13 provision beyond the quantity of goods admitted; or

14 (c) With respect to goods for which payment has been made and  
15 accepted or which have been received and accepted (RCW 62A.2-606).

16 **Sec. 204.** RCW 62A.2-202 and 2012 c 214 s 803 are each amended to  
17 read as follows:

18 Terms with respect to which the confirmatory memoranda of the  
19 parties agree or which are otherwise set forth in a ((writing))  
20 record intended by the parties as a final expression of their  
21 agreement with respect to such terms as are included therein may not  
22 be contradicted by evidence of any prior agreement or of a  
23 contemporaneous oral agreement but may be explained or supplemented:

24 (a) By course of performance, course of dealing, or usage of  
25 trade (RCW 62A.1-303); and

26 (b) By evidence of consistent additional terms unless the court  
27 finds the ((writing)) record to have been intended also as a complete  
28 and exclusive statement of the terms of the agreement.

29 **Sec. 205.** RCW 62A.2-203 and 1965 ex.s. c 157 s 2-203 are each  
30 amended to read as follows:

31 The affixing of a seal to a ((writing)) record evidencing a  
32 contract for sale or an offer to buy or sell goods does not  
33 constitute the ((writing)) record a sealed instrument and the law  
34 with respect to sealed instruments does not apply to such contract or  
35 offer.

36 **Sec. 206.** RCW 62A.2-205 and 1965 ex.s. c 157 s 2-205 are each  
37 amended to read as follows:

1 An offer by a merchant to buy or sell goods in a signed  
2 (~~writing~~) record which by its terms gives assurance that it will be  
3 held open is not revocable, for lack of consideration, during the  
4 time stated or if no time is stated for a reasonable time, but in no  
5 event may such period of irrevocability exceed three months; but any  
6 such term of assurance on a form supplied by the offeree must be  
7 separately signed by the offeror.

8 **Sec. 207.** RCW 62A.2-209 and 1965 ex.s. c 157 s 2-209 are each  
9 amended to read as follows:

10 (1) An agreement modifying a contract within this Article needs  
11 no consideration to be binding.

12 (2) A signed agreement which excludes modification or rescission  
13 except by a signed writing or other signed record cannot be otherwise  
14 modified or rescinded, but except as between merchants such a  
15 requirement on a form supplied by the merchant must be separately  
16 signed by the other party.

17 (3) The requirements of the statute of frauds section of this  
18 Article (RCW 62A.2-201) must be satisfied if the contract as modified  
19 is within its provisions.

20 (4) Although an attempt at modification or rescission does not  
21 satisfy the requirements of subsection (2) or (3) it can operate as a  
22 waiver.

23 (5) A party who has made a waiver affecting an executory portion  
24 of the contract may retract the waiver by reasonable notification  
25 received by the other party that strict performance will be required  
26 of any term waived, unless the retraction would be unjust in view of  
27 a material change of position in reliance on the waiver.

28 **PART III**

29 **Sec. 301.** RCW 62A.2A-102 and 1993 c 230 s 2A-102 are each  
30 amended to read as follows:

31 (1) This Article applies to any transaction, regardless of form,  
32 that creates a lease and, in the case of a hybrid lease, it applies  
33 to the extent provided in subsection (2) of this section.

34 (2) In a hybrid lease:

35 (a) If the lease-of-goods aspects do not predominate:

36 (i) Only the provisions of this Article which relate primarily to  
37 the lease-of-goods aspects of the transaction apply, and the

1 provisions that relate primarily to the transaction as a whole do not  
2 apply;

3 (ii) RCW 62A.2A-209 applies if the lease is a finance lease; and

4 (iii) RCW 62A.2A-407 applies to the promises of the lessee in a  
5 finance lease to the extent the promises are consideration for the  
6 right to possession and use of the leased goods; and

7 (b) If the lease-of-goods aspects predominate, this Article  
8 applies to the transaction, but does not preclude application in  
9 appropriate circumstances of other law to aspects of the lease which  
10 do not relate to the lease of goods.

11 **Sec. 302.** RCW 62A.2A-103 and 2012 c 214 s 902 are each amended  
12 to read as follows:

13 (1) In this Article unless the context otherwise requires:

14 (a) "Buyer in ordinary course of business" means a person who in  
15 good faith and without knowledge that the sale to him or her is in  
16 violation of the ownership rights or security interest or leasehold  
17 interest of a third party in the goods buys in ordinary course from a  
18 person in the business of selling goods of that kind but does not  
19 include a pawnbroker. "Buying" may be for cash, or by exchange of  
20 other property, or on secured or unsecured credit, and includes  
21 acquiring goods or documents of title under a preexisting contract  
22 for sale but does not include a transfer in bulk or as security for  
23 or in total or partial satisfaction of a money debt.

24 (b) "Cancellation" occurs when either party puts an end to the  
25 lease contract for default by the other party.

26 (c) "Commercial unit" means such a unit of goods as by commercial  
27 usage is a single whole for purposes of lease and division of which  
28 materially impairs its character or value on the market or in use. A  
29 commercial unit may be a single article, as a machine, or a set of  
30 articles, as a suite of furniture or a line of machinery, or a  
31 quantity, as a gross or carload, or any other unit treated in use or  
32 in the relevant market as a single whole.

33 (d) "Conforming" goods or performance under a lease contract  
34 means goods or performance that are in accordance with the  
35 obligations under the lease contract.

36 (e) "Consumer lease" means a lease that a lessor regularly  
37 engaged in the business of leasing or selling makes to a lessee who  
38 is an individual who takes under the lease primarily for a personal,  
39 family, or household purpose, if the total payments to be made under

1 the lease contract, excluding payments for options to renew or buy,  
2 do not exceed twenty-five thousand dollars.

3 (f) "Fault" means wrongful act, omission, breach, or default.

4 (g) "Finance lease" means a lease with respect to which:

5 (i) The lessor does not select, manufacture, or supply the goods;

6 (ii) The lessor acquires the goods or the right to possession and  
7 use of the goods in connection with the lease; and

8 (iii) Only in the case of a consumer lease, either:

9 (A) The lessee receives a copy of the contract by which the  
10 lessor acquired the goods or the right to possession and use of the  
11 goods before signing the lease contract;

12 (B) The lessee's approval of the contract by which the lessor  
13 acquired the goods or the right to possession and use of the goods is  
14 a condition to effectiveness of the lease contract; or

15 (C) The lessee, before signing the lease contract, receives an  
16 accurate and complete statement designating the promises and  
17 warranties, and any disclaimers of warranties, limitations or  
18 modifications of remedies, or liquidated damages, including those of  
19 a third party, such as the manufacturer of the goods, provided to the  
20 lessor by the person supplying the goods in connection with or as  
21 part of the contract by which the lessor acquired the goods or the  
22 right to possession and use of the goods.

23 (h) "Goods" means all things that are movable at the time of  
24 identification to the lease contract, or are fixtures (RCW  
25 62A.2A-309), but the term does not include money, documents,  
26 instruments, accounts, chattel paper, general intangibles, or  
27 minerals or the like, including oil and gas, before extraction. The  
28 term also includes the unborn young of animals.

29 (h.1) "Hybrid lease" means a single transaction involving a lease  
30 of goods and:

31 (i) The provision of services;

32 (ii) A sale of other goods; or

33 (iii) A sale, lease, or license of property other than goods.

34 (i) "Installment lease contract" means a lease contract that  
35 authorizes or requires the delivery of goods in separate lots to be  
36 separately accepted, even though the lease contract contains a clause  
37 "each delivery is a separate lease" or its equivalent.

38 (j) "Lease" means a transfer of the right to possession and use  
39 of goods for a term in return for consideration, but a sale,  
40 including a sale on approval or a sale or return, or retention or

1 creation of a security interest is not a lease. Unless the context  
2 clearly indicates otherwise, the term includes a sublease.

3 (k) "Lease agreement" means the bargain, with respect to the  
4 lease, of the lessor and the lessee in fact as found in their  
5 language or by implication from other circumstances including course  
6 of dealing or usage of trade or course of performance as provided in  
7 this Article. Unless the context clearly indicates otherwise, the  
8 term includes a sublease agreement.

9 (l) "Lease contract" means the total legal obligation that  
10 results from the lease agreement as affected by this Article and any  
11 other applicable rules of law. Unless the context clearly indicates  
12 otherwise, the term includes a sublease contract.

13 (m) "Leasehold interest" means the interest of the lessor or the  
14 lessee under a lease contract.

15 (n) "Lessee" means a person who acquires the right to possession  
16 and use of goods under a lease. Unless the context clearly indicates  
17 otherwise, the term includes a sublessee.

18 (o) "Lessee in ordinary course of business" means a person who in  
19 good faith and without knowledge that the lease to him or her is in  
20 violation of the ownership rights or security interest or leasehold  
21 interest of a third party in the goods, leases in ordinary course  
22 from a person in the business of selling or leasing goods of that  
23 kind but does not include a pawnbroker. "Leasing" may be for cash, or  
24 by exchange of other property, or on secured or unsecured credit and  
25 includes acquiring goods or documents of title under a preexisting  
26 lease contract but does not include a transfer in bulk or as security  
27 for or in total or partial satisfaction of a money debt.

28 (p) "Lessor" means a person who transfers the right to possession  
29 and use of goods under a lease. Unless the context clearly indicates  
30 otherwise, the term includes a sublessor.

31 (q) "Lessor's residual interest" means the lessor's interest in  
32 the goods after expiration, termination, or cancellation of the lease  
33 contract.

34 (r) "Lien" means a charge against or interest in goods to secure  
35 payment of a debt or performance of an obligation, but the term does  
36 not include a security interest.

37 (s) "Lot" means a parcel or a single article that is the subject  
38 matter of a separate lease or delivery, whether or not it is  
39 sufficient to perform the lease contract.

1 (t) "Merchant lessee" means a lessee that is a merchant with  
2 respect to goods of the kind subject to the lease.

3 (u) "Present value" means the amount as of a date certain of one  
4 or more sums payable in the future, discounted to the date certain.  
5 The discount is determined by the interest rate specified by the  
6 parties if the rate was not manifestly unreasonable at the time the  
7 transaction was entered into; otherwise, the discount is determined  
8 by a commercially reasonable rate that takes into account the facts  
9 and circumstances of each case at the time the transaction was  
10 entered into.

11 (v) "Purchase" includes taking by sale, lease, mortgage, security  
12 interest, pledge, gift, or any other voluntary transaction creating  
13 an interest in goods.

14 (w) "Sublease" means a lease of goods the right to possession and  
15 use of which was acquired by the lessor as a lessee under an existing  
16 lease.

17 (x) "Supplier" means a person from whom a lessor buys or leases  
18 goods to be leased under a finance lease.

19 (y) "Supply contract" means a contract under which a lessor buys  
20 or leases goods to be leased.

21 (z) "Termination" occurs when either party pursuant to a power  
22 created by agreement or law puts an end to the lease contract  
23 otherwise than for default.

24 (2) Other definitions applying to this Article or to specified  
25 Parts thereof, and the sections in which they appear are:

"Accessions."	RCW 62A.2A-310.
"Construction mortgage."	RCW 62A.2A-309.
"Encumbrance."	RCW 62A.2A-309.
"Fixtures."	RCW 62A.2A-309.
"Fixture filing."	RCW 62A.2A-309.
"Purchase money lease."	RCW 62A.2A-309.

34 (3) The following definitions in other articles apply to this  
35 Article:

"Account."	RCW 62A.9A-102.
"Between merchants."	RCW 62A.2-104.

1	"Buyer."	RCW 62A.2-103.
2	"Chattel paper."	RCW 62A.9A-102.
3	"Consumer goods."	RCW 62A.9A-102.
4	"Document."	RCW 62A.9A-102.
5	"Entrusting."	RCW 62A.2-403.
6	"General intangible."	RCW 62A.9A-102.
7	"Instrument."	RCW 62A.9A-102.
8	"Merchant."	RCW 62A.2-104(1).
9	"Mortgage."	RCW 62A.9A-102.
10	"Pursuant to	
11	commitment."	RCW 62A.9A-102.
12	"Receipt."	RCW 62A.2-103.
13	"Sale."	RCW 62A.2-106.
14	"Sale on approval."	RCW 62A.2-326.
15	"Sale or return."	RCW 62A.2-326.
16	"Seller."	RCW 62A.2-103.

17       (4) In addition, Article 1 of this title contains general  
18 definitions and principles of construction and interpretation  
19 applicable throughout this Article.

20       **Sec. 303.** RCW 62A.2A-107 and 1993 c 230 s 2A-107 are each  
21 amended to read as follows:

22       Any claim or right arising out of an alleged default or breach of  
23 warranty may be discharged in whole or in part without consideration  
24 by a (~~written~~) waiver or renunciation in a signed (~~and~~) record  
25 delivered by the aggrieved party.

26       **Sec. 304.** RCW 62A.2A-201 and 1993 c 230 s 2A-201 are each  
27 amended to read as follows:

28       (1) A lease contract is not enforceable by way of action or  
29 defense unless:

30       (a) The total payments to be made under the lease contract,  
31 excluding payments for options to renew or buy, are less than one  
32 thousand dollars; or

33       (b) There is a (~~writing~~) record, signed by the party against  
34 whom enforcement is sought or by that party's authorized agent,



1 sufficient to indicate that a lease contract has been made between  
2 the parties and to describe the goods leased and the lease term.

3 (2) Any description of leased goods or of the lease term is  
4 sufficient and satisfies subsection (1)(b) of this section, whether  
5 or not it is specific, if it reasonably identifies what is described.

6 (3) A (~~writing~~) record is not insufficient because it omits or  
7 incorrectly states a term agreed upon, but the lease contract is not  
8 enforceable under subsection (1)(b) of this section beyond the lease  
9 term and the quantity of goods shown in the (~~writing~~) record.

10 (4) A lease contract that does not satisfy the requirements of  
11 subsection (1) of this section, but which is valid in other respects,  
12 is enforceable:

13 (a) If the goods are to be specially manufactured or obtained for  
14 the lessee and are not suitable for lease or sale to others in the  
15 ordinary course of the lessor's business, and the lessor, before  
16 notice of repudiation is received and under circumstances that  
17 reasonably indicate that the goods are for the lessee, has made  
18 either a substantial beginning of their manufacture or commitments  
19 for their procurement;

20 (b) If the party against whom enforcement is sought admits in  
21 that party's pleading, testimony, or otherwise in court that a lease  
22 contract was made, but the lease contract is not enforceable under  
23 this provision beyond the quantity of goods admitted; or

24 (c) With respect to goods that have been received and accepted by  
25 the lessee.

26 (5) The lease term under a lease contract referred to in  
27 subsection (4) of this section is:

28 (a) If there is a (~~writing~~) record signed by the party against  
29 whom enforcement is sought or by that party's authorized agent  
30 specifying the lease term, the term so specified;

31 (b) If the party against whom enforcement is sought admits in  
32 that party's pleading, testimony, or otherwise in court a lease term,  
33 the term so admitted; or

34 (c) A reasonable lease term.

35 **Sec. 305.** RCW 62A.2A-202 and 1993 c 230 s 2A-202 are each  
36 amended to read as follows:

37 Terms with respect to which the confirmatory memoranda of the  
38 parties agree or which are otherwise set forth in a (~~writing~~)  
39 record intended by the parties as a final expression of their

1 agreement with respect to such terms as are included therein may not  
2 be contradicted by evidence of any prior agreement or of a  
3 contemporaneous oral agreement but may be explained or supplemented:

4 (1) By course of dealing or usage of trade or by course of  
5 performance; and

6 (2) By evidence of consistent additional terms unless the court  
7 finds the ((writing)) record to have been intended also as a complete  
8 and exclusive statement of the terms of the agreement.

9 **Sec. 306.** RCW 62A.2A-203 and 1993 c 230 s 2A-203 are each  
10 amended to read as follows:

11 The affixing of a seal to a ((writing)) record evidencing a lease  
12 contract or an offer to enter into a lease contract does not render  
13 the ((writing)) record a sealed instrument and the law with respect  
14 to sealed instruments does not apply to the lease contract or offer.

15 **Sec. 307.** RCW 62A.2A-205 and 1993 c 230 s 2A-205 are each  
16 amended to read as follows:

17 An offer by a merchant to lease goods to or from another person  
18 in a signed ((writing)) record that by its terms gives assurance it  
19 will be held open is not revocable, for lack of consideration, during  
20 the time stated or, if no time is stated, for a reasonable time, but  
21 in no event may the period of irrevocability exceed three months. Any  
22 such term of assurance on a form supplied by the offeree must be  
23 separately signed by the offeror.

24 **Sec. 308.** RCW 62A.2A-208 and 1993 c 230 s 2A-208 are each  
25 amended to read as follows:

26 (1) An agreement modifying a lease contract needs no  
27 consideration to be binding.

28 (2) A signed lease agreement that excludes modification or  
29 rescission except by a signed ((writing)) record may not be otherwise  
30 modified or rescinded, but, except as between merchants, such a  
31 requirement on a form supplied by a merchant must be separately  
32 signed by the other party.

33 (3) Although an attempt at modification or rescission does not  
34 satisfy the requirements of subsection (2) of this section, it may  
35 operate as a waiver.

36 (4) A party who has made a waiver affecting an executory portion  
37 of a lease contract may retract the waiver by reasonable notification

1 received by the other party that strict performance will be required  
2 of any term waived, unless the retraction would be unjust in view of  
3 a material change of position in reliance on the waiver.

4 **PART IV**

5 **Sec. 401.** RCW 62A.3-104 and 1993 c 229 s 6 are each amended to  
6 read as follows:

7 (a) Except as provided in subsections (c) and (d), "negotiable  
8 instrument" means an unconditional promise or order to pay a fixed  
9 amount of money, with or without interest or other charges described  
10 in the promise or order, if it:

11 (1) Is payable to bearer or to order at the time it is issued or  
12 first comes into possession of a holder;

13 (2) Is payable on demand or at a definite time; and

14 (3) Does not state any other undertaking or instruction by the  
15 person promising or ordering payment to do any act in addition to the  
16 payment of money, but the promise or order may contain (i) an  
17 undertaking or power to give, maintain, or protect collateral to  
18 secure payment, (ii) an authorization or power to the holder to  
19 confess judgment or realize on or dispose of collateral, ~~((or))~~ (iii)  
20 a waiver of the benefit of any law intended for the advantage or  
21 protection of an obligor, (iv) a term that specifies the law that  
22 governs the promise or order, or (v) an undertaking to resolve in a  
23 specified forum a dispute concerning the promise or order.

24 (b) "Instrument" means a negotiable instrument.

25 (c) An order that meets all of the requirements of subsection  
26 (a), except subsection (a)(1), and otherwise falls within the  
27 definition of "check" in subsection (f) is a negotiable instrument  
28 and a check.

29 (d) A promise or order other than a check is not an instrument  
30 if, at the time it is issued or first comes into possession of a  
31 holder, it contains a conspicuous statement, however expressed, to  
32 the effect that the promise or order is not negotiable or is not an  
33 instrument governed by this Article.

34 (e) An instrument is a "note" if it is a promise and is a "draft"  
35 if it is an order. If an instrument falls within the definition of  
36 both "note" and "draft," a person entitled to enforce the instrument  
37 may treat it as either.

1 (f) "Check" means (i) a draft, other than a documentary draft,  
2 payable on demand and drawn on a bank, or (ii) a cashier's check or  
3 teller's check. An instrument may be a check even though it is  
4 described on its face by another term, such as "money order."

5 (g) "Cashier's check" means a draft with respect to which the  
6 drawer and drawee are the same bank or branches of the same bank.

7 (h) "Teller's check" means a draft drawn by a bank (i) on another  
8 bank, or (ii) payable at or through a bank.

9 (i) "Traveler's check" means an instrument that (i) is payable on  
10 demand, (ii) is drawn on or payable at or through a bank, (iii) is  
11 designated by the term "traveler's check" or by a substantially  
12 similar term, and (iv) requires, as a condition to payment, a  
13 countersignature by a person whose specimen signature appears on the  
14 instrument.

15 (j) "Certificate of deposit" means an instrument containing an  
16 acknowledgment by a bank that a sum of money has been received by the  
17 bank and a promise by the bank to repay the sum of money. A  
18 certificate of deposit is a note of the bank.

19 **Sec. 402.** RCW 62A.3-105 and 1993 c 229 s 7 are each amended to  
20 read as follows:

21 (a) "Issue" means ~~((the))~~;

22 (1) The first delivery of an instrument by the maker or drawer,  
23 whether to a holder or nonholder, for the purpose of giving rights on  
24 the instrument to any person; or

25 (2) If agreed by the payee, the first transmission by the drawer  
26 to the payee of an image of an item and information derived from the  
27 item that enables the depository bank to collect the item by  
28 transferring or presenting under federal law an electronic check.

29 (b) An unissued instrument, or an unissued incomplete instrument  
30 that is completed, is binding on the maker or drawer, but nonissuance  
31 is a defense. An instrument that is conditionally issued or is issued  
32 for a special purpose is binding on the maker or drawer, but failure  
33 of the condition or special purpose to be fulfilled is a defense.

34 (c) "Issuer" applies to issued and unissued instruments and means  
35 a maker or drawer of an instrument.

36 **Sec. 403.** RCW 62A.3-401 and 1993 c 229 s 41 are each amended to  
37 read as follows:

1       ~~((a))~~ A person is not liable on an instrument unless ~~((i))~~  
2       (a) the person signed the instrument, or ~~((ii))~~ (b) the person is  
3       represented by an agent or representative who signed the instrument  
4       and the signature is binding on the represented person under RCW  
5       62A.3-402.

6       ~~((b) A signature may be made (i) manually or by means of a  
7       device or machine, and (ii) by the use of any name, including a trade  
8       or assumed name, or by a word, mark, or symbol executed or adopted by  
9       a person with present intention to authenticate a writing.))~~

10       **Sec. 404.** RCW 62A.3-604 and 1993 c 229 s 74 are each amended to  
11       read as follows:

12       (a) A person entitled to enforce an instrument, with or without  
13       consideration, may discharge the obligation of a party to pay the  
14       instrument (i) by an intentional voluntary act, such as surrender of  
15       the instrument to the party, destruction, mutilation, or cancellation  
16       of the instrument, cancellation or striking out of the party's  
17       signature, or the addition of words to the instrument indicating  
18       discharge, or (ii) by agreeing not to sue or otherwise renouncing  
19       rights against the party by a signed writing. The obligation of a  
20       party to pay a check is not discharged solely by destruction of the  
21       check in connection with a process in which information is extracted  
22       from the check and an image of the check is made and, subsequently,  
23       the information and image are transmitted for payment.

24       (b) Cancellation or striking out of an indorsement pursuant to  
25       subsection (a) does not affect the status and rights of a party  
26       derived from the indorsement.

27   **PART V**

28       **Sec. 501.** RCW 62A.4A-103 and 2013 c 118 s 2 are each amended to  
29       read as follows:

30       (a) In this Article:  
31       (1) "Payment order" means an instruction of a sender to a  
32       receiving bank, transmitted orally~~((, — electronically,))~~ or in  
33       ~~((writing))~~ a record, to pay, or to cause another bank to pay, a  
34       fixed or determinable amount of money to a beneficiary if:

35       (i) The instruction does not state a condition to payment to the  
36       beneficiary other than time of payment;

1 (ii) The receiving bank is to be reimbursed by debiting an  
2 account of, or otherwise receiving payment from, the sender; and

3 (iii) The instruction is transmitted by the sender directly to  
4 the receiving bank or to an agent, funds-transfer system, or  
5 communication system for transmittal to the receiving bank.

6 (2) "Beneficiary" means the person to be paid by the  
7 beneficiary's bank.

8 (3) "Beneficiary's bank" means the bank identified in a payment  
9 order in which an account of the beneficiary is to be credited  
10 pursuant to the order or which otherwise is to make payment to the  
11 beneficiary if the order does not provide for payment to an account.

12 (4) "Receiving bank" means the bank to which the sender's  
13 instruction is addressed.

14 (5) "Sender" means the person giving the instruction to the  
15 receiving bank.

16 (b) If an instruction complying with subsection (a)(1) of this  
17 section is to make more than one payment to a beneficiary, the  
18 instruction is a separate payment order with respect to each payment.

19 (c) A payment order is issued when it is sent to the receiving  
20 bank.

21 **Sec. 502.** RCW 62A.4A-201 and 1991 sp.s. c 21 s 4A-201 are each  
22 amended to read as follows:

23 "Security procedure" means a procedure established by agreement  
24 of a customer and a receiving bank for the purpose of (1) verifying  
25 that a payment order or communication amending or canceling a payment  
26 order is that of the customer, or (2) detecting error in the  
27 transmission or the content of the payment order or communication. A  
28 security procedure may impose an obligation on the receiving bank or  
29 the customer and may require the use of algorithms or other codes,  
30 identifying words ((~~o~~)), numbers, symbols, sounds, biometrics,  
31 encryption, callback procedures, or similar security devices.  
32 Comparison of a signature on a payment order or communication with an  
33 authorized specimen signature of the customer or requiring a payment  
34 order to be sent from a known email address, IP address, or telephone  
35 number is not by itself a security procedure.

36 **Sec. 503.** RCW 62A.4A-202 and 2013 c 118 s 6 are each amended to  
37 read as follows:

1 (a) A payment order received by the receiving bank is the  
2 authorized order of the person identified as sender if that person  
3 authorized the order or is otherwise bound by it under the law of  
4 agency.

5 (b) If a bank and its customer have agreed that the authenticity  
6 of payment orders issued to the bank in the name of the customer as  
7 sender will be verified pursuant to a security procedure, a payment  
8 order received by the receiving bank is effective as the order of the  
9 customer, whether or not authorized, if (i) the security procedure is  
10 a commercially reasonable method of providing security against  
11 unauthorized payment orders, and (ii) the bank proves that it  
12 accepted the payment order in good faith and in compliance with the  
13 bank's obligations under the security procedure and any (~~written~~)  
14 agreement or instruction of the customer, evidenced by a record,  
15 restricting acceptance of payment orders issued in the name of the  
16 customer. The bank is not required to follow an instruction that  
17 violates a (~~written~~) an agreement with the customer, evidenced by a  
18 record, or notice of which is not received at a time and in a manner  
19 affording the bank a reasonable opportunity to act on it before the  
20 payment order is accepted.

21 (c) Commercial reasonableness of a security procedure is a  
22 question of law to be determined by considering the wishes of the  
23 customer expressed to the bank, the circumstances of the customer  
24 known to the bank, including the size, type, and frequency of payment  
25 orders normally issued by the customer to the bank, alternative  
26 security procedures offered to the customer, and security procedures  
27 in general use by customers and receiving banks similarly situated. A  
28 security procedure is deemed to be commercially reasonable if (i) the  
29 security procedure was chosen by the customer after the bank offered,  
30 and the customer refused, a security procedure that was commercially  
31 reasonable for that customer, and (ii) the customer expressly agreed  
32 in (~~writing~~) a record to be bound by any payment order, whether or  
33 not authorized, issued in its name, and accepted by the bank in  
34 compliance with the bank's obligations under the security procedure  
35 chosen by the customer.

36 (d) The term "sender" in this Article includes the customer in  
37 whose name a payment order is issued if the order is the authorized  
38 order of the customer under subsection (a) of this section, or it is  
39 effective as the order of the customer under subsection (b) of this  
40 section.

1 (e) This section applies to amendments and cancellations of  
2 payment orders to the same extent it applies to payment orders.

3 (f) Except as provided in this section and RCW 62A.4A-203(a)(1),  
4 rights and obligations arising under this section or RCW 62A.4A-203  
5 may not be varied by agreement.

6 **Sec. 504.** RCW 62A.4A-203 and 2013 c 118 s 7 are each amended to  
7 read as follows:

8 (a) If an accepted payment order is not, under RCW 62A.4A-202(a),  
9 an authorized order of a customer identified as sender, but is  
10 effective as an order of the customer pursuant to RCW 62A.4A-202(b),  
11 the following rules apply.

12 (1) By express (~~written~~) agreement evidenced by a record, the  
13 receiving bank may limit the extent to which it is entitled to  
14 enforce or retain payment of the payment order.

15 (2) The receiving bank is not entitled to enforce or retain  
16 payment of the payment order if the customer proves that the order  
17 was not caused, directly or indirectly, by a person (i) entrusted at  
18 any time with duties to act for the customer with respect to payment  
19 orders or the security procedure, or (ii) who obtained access to  
20 transmitting facilities of the customer or who obtained, from a  
21 source controlled by the customer and without authority of the  
22 receiving bank, information facilitating breach of the security  
23 procedure, regardless of how the information was obtained or whether  
24 the customer was at fault. Information includes any access device,  
25 computer software, or the like.

26 (b) This section applies to amendments of payment orders to the  
27 same extent it applies to payment orders.

28 **Sec. 505.** RCW 62A.4A-207 and 2013 c 118 s 11 are each amended to  
29 read as follows:

30 (a) Subject to subsection (b) of this section, if, in a payment  
31 order received by the beneficiary's bank, the name, bank account  
32 number, or other identification of the beneficiary refers to a  
33 nonexistent or unidentifiable person or account, no person has rights  
34 as a beneficiary of the order and acceptance of the order cannot  
35 occur.

36 (b) If a payment order received by the beneficiary's bank  
37 identifies the beneficiary both by name and by an identifying or bank



1 account number and the name and number identify different persons,  
2 the following rules apply:

3 (1) Except as otherwise provided in subsection (c) of this  
4 section, if the beneficiary's bank does not know that the name and  
5 number refer to different persons, it may rely on the number as the  
6 proper identification of the beneficiary of the order. The  
7 beneficiary's bank need not determine whether the name and number  
8 refer to the same person.

9 (2) If the beneficiary's bank pays the person identified by name  
10 or knows that the name and number identify different persons, no  
11 person has rights as beneficiary except the person paid by the  
12 beneficiary's bank if that person was entitled to receive payment  
13 from the originator of the funds transfer. If no person has rights as  
14 beneficiary, acceptance of the order cannot occur.

15 (c) If (i) a payment order described in subsection (b) of this  
16 section is accepted, (ii) the originator's payment order described  
17 the beneficiary inconsistently by name and number, and (iii) the  
18 beneficiary's bank pays the person identified by number as permitted  
19 by subsection (b)(1) of this section, the following rules apply:

20 (1) If the originator is a bank, the originator is obliged to pay  
21 its order.

22 (2) If the originator is not a bank and proves that the person  
23 identified by number was not entitled to receive payment from the  
24 originator, the originator is not obliged to pay its order unless the  
25 originator's bank proves that the originator, before acceptance of  
26 the originator's order, had notice that payment of a payment order  
27 issued by the originator might be made by the beneficiary's bank on  
28 the basis of an identifying or bank account number even if it  
29 identifies a person different from the named beneficiary. Proof of  
30 notice may be made by any admissible evidence. The originator's bank  
31 satisfies the burden of proof if it proves that the originator,  
32 before the payment order was accepted, signed a (~~writing~~) record  
33 stating the information to which the notice relates.

34 (d) In a case governed by subsection (b)(1) of this section, if  
35 the beneficiary's bank rightfully pays the person identified by  
36 number and that person was not entitled to receive payment from the  
37 originator, the amount paid may be recovered from that person to the  
38 extent allowed by the law governing mistake and restitution as  
39 follows:

1 (1) If the originator is obliged to pay its payment order as  
2 stated in subsection (c) of this section, the originator has the  
3 right to recover.

4 (2) If the originator is not a bank and is not obliged to pay its  
5 payment order, the originator's bank has the right to recover.

6 **Sec. 506.** RCW 62A.4A-208 and 2013 c 118 s 12 are each amended to  
7 read as follows:

8 (a) This subsection applies to a payment order identifying an  
9 intermediary bank or the beneficiary's bank only by an identifying  
10 number.

11 (1) The receiving bank may rely on the number as the proper  
12 identification of the intermediary or beneficiary's bank and need not  
13 determine whether the number identifies a bank.

14 (2) The sender is obliged to compensate the receiving bank for  
15 any loss and expenses incurred by the receiving bank as a result of  
16 its reliance on the number in executing or attempting to execute the  
17 order.

18 (b) This subsection applies to a payment order identifying an  
19 intermediary bank or the beneficiary's bank both by name and an  
20 identifying number if the name and number identify different persons.

21 (1) If the sender is a bank, the receiving bank may rely on the  
22 number as the proper identification of the intermediary or  
23 beneficiary's bank if the receiving bank, when it executes the  
24 sender's order, does not know that the name and number identify  
25 different persons. The receiving bank need not determine whether the  
26 name and number refer to the same person or whether the number refers  
27 to a bank. The sender is obliged to compensate the receiving bank for  
28 any loss and expenses incurred by the receiving bank as a result of  
29 its reliance on the number in executing or attempting to execute the  
30 order.

31 (2) If the sender is not a bank and the receiving bank proves  
32 that the sender, before the payment order was accepted, had notice  
33 that the receiving bank might rely on the number as the proper  
34 identification of the intermediary or beneficiary's bank even if it  
35 identifies a person different from the bank identified by name, the  
36 rights and obligations of the sender and the receiving bank are  
37 governed by subsection (b)(1) of this section, as though the sender  
38 were a bank. Proof of notice may be made by any admissible evidence.  
39 The receiving bank satisfies the burden of proof if it proves that

1 the sender, before the payment order was accepted, signed a  
2 ((~~writing~~)) record stating the information to which the notice  
3 relates.

4 (3) Regardless of whether the sender is a bank, the receiving  
5 bank may rely on the name as the proper identification of the  
6 intermediary or beneficiary's bank if the receiving bank, at the time  
7 it executes the sender's order, does not know that the name and  
8 number identify different persons. The receiving bank need not  
9 determine whether the name and number refer to the same person.

10 (4) If the receiving bank knows that the name and number identify  
11 different persons, reliance on either the name or the number in  
12 executing the sender's payment order is a breach of the obligation  
13 stated in RCW 62A.4A-302(a)(1).

14 **Sec. 507.** RCW 62A.4A-210 and 2013 c 118 s 14 are each amended to  
15 read as follows:

16 (a) A payment order is rejected by the receiving bank by a notice  
17 of rejection transmitted to the sender orally((~~, electronically,~~)) or  
18 in ((~~writing~~)) a record. A notice of rejection need not use any  
19 particular words and is sufficient if it indicates that the receiving  
20 bank is rejecting the order or will not execute or pay the order.  
21 Rejection is effective when the notice is given if transmission is by  
22 a means that is reasonable in the circumstances. If notice of  
23 rejection is given by a means that is not reasonable, rejection is  
24 effective when the notice is received. If an agreement of the sender  
25 and receiving bank establishes the means to be used to reject a  
26 payment order, (i) any means complying with the agreement is  
27 reasonable and (ii) any means not complying is not reasonable unless  
28 no significant delay in receipt of the notice resulted from the use  
29 of the noncomplying means.

30 (b) This subsection applies if a receiving bank other than the  
31 beneficiary's bank fails to execute a payment order despite the  
32 existence on the execution date of a withdrawable credit balance in  
33 an authorized account of the sender sufficient to cover the order. If  
34 the sender does not receive notice of rejection of the order on the  
35 execution date and the authorized account of the sender does not bear  
36 interest, the bank is obliged to pay interest to the sender on the  
37 amount of the order for the number of days elapsing after the  
38 execution date to the earlier of the day the order is canceled  
39 pursuant to RCW 62A.4A-211(d) or the day the sender receives notice

1 or learns that the order was not executed, counting the final day of  
2 the period as an elapsed day. If the withdrawable credit balance  
3 during that period falls below the amount of the order, the amount of  
4 interest is reduced accordingly.

5 (c) If a receiving bank suspends payments, all unaccepted payment  
6 orders issued to it are deemed rejected at the time the bank suspends  
7 payments.

8 (d) Acceptance of a payment order precludes a later rejection of  
9 the order. Rejection of a payment order precludes a later acceptance  
10 of the order.

11 **Sec. 508.** RCW 62A.4A-211 and 2013 c 118 s 15 are each amended to  
12 read as follows:

13 (a) A communication of the sender of a payment order canceling or  
14 amending the order may be transmitted to the receiving bank orally(~~(~~  
15 ~~electronically,~~) or in (~~(writing)~~) a record. If a security procedure  
16 is in effect between the sender and the receiving bank, the  
17 communication is not effective to cancel or amend the order unless  
18 the communication is verified pursuant to the security procedure or  
19 the bank agrees to the cancellation or amendment.

20 (b) Subject to subsection (a) of this section, a communication by  
21 the sender canceling or amending a payment order is effective to  
22 cancel or amend the order if notice of the communication is received  
23 at a time and in a manner affording the receiving bank a reasonable  
24 opportunity to act on the communication before the bank accepts the  
25 payment order.

26 (c) After a payment order has been accepted, cancellation or  
27 amendment of the order is not effective unless the receiving bank  
28 agrees or a funds-transfer system rule allows cancellation or  
29 amendment without agreement of the bank.

30 (1) With respect to a payment order accepted by a receiving bank  
31 other than the beneficiary's bank, cancellation or amendment is not  
32 effective unless a conforming cancellation or amendment of the  
33 payment order issued by the receiving bank is also made.

34 (2) With respect to a payment order accepted by the beneficiary's  
35 bank, cancellation or amendment is not effective unless the order was  
36 issued in execution of an unauthorized payment order, or because of a  
37 mistake by a sender in the funds transfer which resulted in the  
38 issuance of a payment order (i) that is a duplicate of a payment  
39 order previously issued by the sender, (ii) that orders payment to a

1 beneficiary not entitled to receive payment from the originator, or  
2 (iii) that orders payment in an amount greater than the amount the  
3 beneficiary was entitled to receive from the originator. If the  
4 payment order is canceled or amended, the beneficiary's bank is  
5 entitled to recover from the beneficiary any amount paid to the  
6 beneficiary to the extent allowed by the law governing mistake and  
7 restitution.

8 (d) An unaccepted payment order is canceled by operation of law  
9 at the close of the fifth funds-transfer business day of the  
10 receiving bank after the execution date or payment date of the order.

11 (e) A canceled payment order cannot be accepted. If an accepted  
12 payment order is canceled, the acceptance is nullified and no person  
13 has any right or obligation based on the acceptance. Amendment of a  
14 payment order is deemed to be cancellation of the original order at  
15 the time of amendment and issue of a new payment order in the amended  
16 form at the same time.

17 (f) Unless otherwise provided in an agreement of the parties or  
18 in a funds-transfer system rule, if the receiving bank, after  
19 accepting a payment order, agrees to cancellation or amendment of the  
20 order by the sender or is bound by a funds-transfer system rule  
21 allowing cancellation or amendment without the bank's agreement, the  
22 sender, whether or not cancellation or amendment is effective, is  
23 liable to the bank for any loss and expenses, including reasonable  
24 attorneys' fees, incurred by the bank as a result of the cancellation  
25 or amendment or attempted cancellation or amendment.

26 (g) A payment order is not revoked by the death or legal  
27 incapacity of the sender unless the receiving bank knows of the death  
28 or of an adjudication of incapacity by a court of competent  
29 jurisdiction and has reasonable opportunity to act before acceptance  
30 of the order.

31 (h) A funds-transfer system rule is not effective to the extent  
32 it conflicts with subsection (c)(2) of this section.

33 **Sec. 509.** RCW 62A.4A-305 and 2013 c 118 s 21 are each amended to  
34 read as follows:

35 (a) If a funds transfer is completed but execution of a payment  
36 order by the receiving bank in breach of RCW 62A.4A-302 results in  
37 delay in payment to the beneficiary, the bank is obliged to pay  
38 interest to either the originator or the beneficiary of the funds  
39 transfer for the period of delay caused by the improper execution.

1 Except as provided in subsection (c) of this section, additional  
2 damages are not recoverable.

3 (b) If execution of a payment order by a receiving bank in breach  
4 of RCW 62A.4A-302 results in (i) noncompletion of the funds transfer,  
5 (ii) failure to use an intermediary bank designated by the  
6 originator, or (iii) issuance of a payment order that does not comply  
7 with the terms of the payment order of the originator, the bank is  
8 liable to the originator for its expenses in the funds transfer and  
9 for incidental expenses and interest losses, to the extent not  
10 covered by subsection (a) of this section, resulting from the  
11 improper execution. Except as provided in subsection (c) of this  
12 section, additional damages are not recoverable.

13 (c) In addition to the amounts payable under subsections (a) and  
14 (b) of this section, damages, including consequential damages, are  
15 recoverable to the extent provided in an express (~~written~~)  
16 agreement of the receiving bank, evidenced by a record.

17 (d) If a receiving bank fails to execute a payment order it was  
18 obliged by express agreement to execute, the receiving bank is liable  
19 to the sender for its expenses in the transaction and for incidental  
20 expenses and interest losses resulting from the failure to execute.  
21 Additional damages, including consequential damages, are recoverable  
22 to the extent provided in an express (~~written~~) agreement of the  
23 receiving bank, evidenced by a record, but are not otherwise  
24 recoverable.

25 (e) Reasonable attorneys' fees are recoverable if demand for  
26 compensation under subsection (a) or (b) of this section is made and  
27 refused before an action is brought on the claim. If a claim is made  
28 for breach of an agreement under subsection (d) of this section and  
29 the agreement does not provide for damages, reasonable attorneys'  
30 fees are recoverable if demand for compensation under subsection (d)  
31 of this section is made and refused before an action is brought on  
32 the claim.

33 (f) Except as stated in this section, the liability of a  
34 receiving bank under subsections (a) and (b) of this section may not  
35 be varied by agreement.

36 **PART VI**

37 **Sec. 601.** RCW 62A.5-104 and 2012 c 214 s 1702 are each amended  
38 to read as follows:

1 A letter of credit, confirmation, advice, transfer, amendment, or  
2 cancellation may be issued in any form that is a signed record (~~and~~  
3 ~~is authenticated (i) by a signature or (ii) in accordance with the~~  
4 ~~agreement of the parties or the standard practice referred to in RCW~~  
5 ~~62A.5-108(e))~~).

6 **Sec. 602.** RCW 62A.5-116 and 2012 c 214 s 1712 are each amended  
7 to read as follows:

8 (a) The liability of an issuer, nominated person, or adviser for  
9 action or omission is governed by the law of the jurisdiction chosen  
10 by an agreement in the form of a record signed (~~or otherwise~~  
11 ~~authenticated~~) by the affected parties (~~in the manner provided in~~  
12 ~~RCW 62A.5-104~~) or by a provision in the person's letter of credit,  
13 confirmation, or other undertaking. The jurisdiction whose law is  
14 chosen need not bear any relation to the transaction.

15 (b) Unless subsection (a) of this section applies, the liability  
16 of an issuer, nominated person, or adviser for action or omission is  
17 governed by the law of the jurisdiction in which the person is  
18 located. The person is considered to be located at the address  
19 indicated in the person's undertaking. If more than one address is  
20 indicated, the person is considered to be located at the address from  
21 which the person's undertaking was issued.

22 (c) For the purpose of jurisdiction, choice of law, and  
23 recognition of interbranch letters of credit, but not enforcement of  
24 a judgment, all branches of a bank are considered separate juridical  
25 entities and a bank is considered to be located at the place where  
26 its relevant branch is considered to be located under this  
27 subsection.

28 ~~((e))~~ (d) A branch of a bank is considered to be located at the  
29 address indicated in the branch's undertaking. If more than one  
30 address is indicated, the branch is considered to be located at the  
31 address from which the undertaking was issued.

32 (e) Except as otherwise provided in this subsection, the  
33 liability of an issuer, nominated person, or adviser is governed by  
34 any rules of custom or practice, such as the Uniform Customs and  
35 Practice for Documentary Credits, to which the letter of credit,  
36 confirmation, or other undertaking is expressly made subject. If (i)  
37 this Article would govern the liability of an issuer, nominated  
38 person, or adviser under subsection (a) or (b) of this section, (ii)  
39 the relevant undertaking incorporates rules of custom or practice,

1 and (iii) there is conflict between this Article and those rules as  
2 applied to that undertaking, those rules govern except to the extent  
3 of any conflict with the nonvariable provisions specified in RCW  
4 62A.5-103(c).

5 ~~((d))~~ (f) If there is conflict between this Article and Article  
6 3, 4, 4A, or 9A, this Article governs.

7 ~~((e))~~ (g) The forum for settling disputes arising out of an  
8 undertaking within this Article may be chosen in the manner and with  
9 the binding effect that governing law may be chosen in accordance  
10 with subsection (a) of this section.

## 11 PART VII

12 **Sec. 701.** RCW 62A.7-102 and 2012 c 214 s 202 are each amended to  
13 read as follows:

14 (a) In this Article, unless the context otherwise requires:

15 (1) "Bailee" means a person that by a warehouse receipt, bill of  
16 lading, or other document of title acknowledges possession of goods  
17 and contracts to deliver them.

18 (2) "Carrier" means a person that issues a bill of lading.

19 (3) "Consignee" means a person named in a bill of lading to which  
20 or to whose order the bill promises delivery.

21 (4) "Consignor" means a person named in a bill of lading as the  
22 person from which the goods have been received for shipment.

23 (5) "Delivery order" means a record that contains an order to  
24 deliver goods directed to a warehouse, carrier, or other person that  
25 in the ordinary course of business issues warehouse receipts or bills  
26 of lading.

27 (6) [Reserved.]

28 (7) "Goods" means all things that are treated as movable for the  
29 purposes of a contract for storage or transportation.

30 (8) "Issuer" means a bailee that issues a document of title or,  
31 in the case of an unaccepted delivery order, the person that orders  
32 the possessor of goods to deliver. The term includes a person for  
33 which an agent or employee purports to act in issuing a document if  
34 the agent or employee has real or apparent authority to issue  
35 documents, even if the issuer did not receive any goods, the goods  
36 were misdescribed, or in any other respect the agent or employee  
37 violated the issuer's instructions.



1 (9) "Person entitled under the document" means the holder, in the  
2 case of a negotiable document of title, or the person to which  
3 delivery of the goods is to be made by the terms of, or pursuant to  
4 instructions in a record under, a nonnegotiable document of title.

5 (10) [Reserved.]

6 (11) (~~"Sign" means, with present intent to authenticate or adopt~~  
7 ~~a record:~~

8 ~~(A) To execute or adopt a tangible symbol; or~~

9 ~~(B) To attach to or logically associate with the record an~~  
10 ~~electronic sound, symbol, or process.)~~ [Reserved.]

11 (12) "Shipper" means a person that enters into a contract of  
12 transportation with a carrier.

13 (13) "Warehouse" means a person engaged in the business of  
14 storing goods for hire.

15 (b) Definitions in other articles applying to this Article and  
16 the sections in which they appear are:

17 (1) "Contract for sale", RCW 62A.2-106;

18 (2) "Lessee in ordinary course of business," RCW 62A.2A-103; and

19 (3) "Receipt" of goods, RCW 62A.2-103.

20 (c) In addition, Article 1 contains general definitions and  
21 principles of construction and interpretation applicable throughout  
22 this Article.

23 **Sec. 702.** RCW 62A.7-106 and 2012 c 214 s 206 are each amended to  
24 read as follows:

25 (a) A person has control of an electronic document of title if a  
26 system employed for evidencing the transfer of interests in the  
27 electronic document reliably establishes that person as the person to  
28 which the electronic document was issued or transferred.

29 (b) A system satisfies subsection (a) of this section, and a  
30 person (~~is deemed to have~~) has control of an electronic document of  
31 title, if the document is created, stored, and (~~assigned~~)  
32 transferred in (~~such~~) a manner that:

33 (1) A single authoritative copy of the document exists which is  
34 unique, identifiable, and, except as otherwise provided in (4), (5),  
35 and (6) of this subsection, unalterable;

36 (2) The authoritative copy identifies the person asserting  
37 control as:

38 (A) The person to which the document was issued; or

1 (B) If the authoritative copy indicates that the document has  
2 been transferred, the person to which the document was most recently  
3 transferred;

4 (3) The authoritative copy is communicated to and maintained by  
5 the person asserting control or its designated custodian;

6 (4) Copies or amendments that add or change an identified  
7 ((assignee)) transferee of the authoritative copy can be made only  
8 with the consent of the person asserting control;

9 (5) Each copy of the authoritative copy and any copy of a copy is  
10 readily identifiable as a copy that is not the authoritative copy;  
11 and

12 (6) Any amendment of the authoritative copy is readily  
13 identifiable as authorized or unauthorized.

14 (c) A system satisfies subsection (a) of this section, and a  
15 person has control of an electronic document of title, if an  
16 authoritative electronic copy of the document, a record attached to  
17 or logically associated with the electronic copy, or a system in  
18 which the electronic copy is recorded:

19 (1) Enables the person readily to identify each electronic copy  
20 as either an authoritative copy or a nonauthoritative copy;

21 (2) Enables the person readily to identify itself in any way,  
22 including by name, identifying number, cryptographic key, office, or  
23 account number, as the person to which each authoritative electronic  
24 copy was issued or transferred; and

25 (3) Gives the person exclusive power, subject to subsection (d)  
26 of this section, to:

27 (A) Prevent others from adding or changing the person to which  
28 each authoritative electronic copy has been issued or transferred;  
29 and

30 (B) Transfer control of each authoritative electronic copy.

31 (d) Subject to subsection (e) of this section, a power is  
32 exclusive under subsection (c) (3) (A) and (B) of this section even if:

33 (1) The authoritative electronic copy, a record attached to or  
34 logically associated with the authoritative electronic copy, or a  
35 system in which the authoritative electronic copy is recorded limits  
36 the use of the document of title or has a protocol that is programmed  
37 to cause a change, including a transfer or loss of control; or

38 (2) The power is shared with another person.

1 (e) A power of a person is not shared with another person under  
2 subsection (d)(2) of this section and the person's power is not  
3 exclusive if:

4 (1) The person can exercise the power only if the power also is  
5 exercised by the other person; and

6 (2) The other person:

7 (A) Can exercise the power without exercise of the power by the  
8 person; or

9 (B) Is the transferor to the person of an interest in the  
10 document of title.

11 (f) If a person has the powers specified in subsection (c)(3)(A)  
12 and (B) of this section, the powers are presumed to be exclusive.

13 (g) A person has control of an electronic document of title if  
14 another person, other than the transferor to the person of an  
15 interest in the document:

16 (1) Has control of the document and acknowledges that it has  
17 control on behalf of the person; or

18 (2) Obtains control of the document after having acknowledged  
19 that it will obtain control of the document on behalf of the person.

20 (h) A person that has control under this section is not required  
21 to acknowledge that it has control on behalf of another person.

22 (i) If a person acknowledges that it has or will obtain control  
23 on behalf of another person, unless the person otherwise agrees or  
24 law other than this Article or Article 9 of this title otherwise  
25 provides, the person does not owe any duty to the other person and is  
26 not required to confirm the acknowledgment to any other person.

27 **PART VIII**

28 **Sec. 801.** RCW 62A.8-102 and 2012 c 214 s 1401 are each amended  
29 to read as follows:

30 (1) In this Article:

31 (a) "Adverse claim" means a claim that a claimant has a property  
32 interest in a financial asset and that it is a violation of the  
33 rights of the claimant for another person to hold, transfer, or deal  
34 with the financial asset.

35 (b) "Bearer form," as applied to a certificated security, means a  
36 form in which the security is payable to the bearer of the security  
37 certificate according to its terms but not by reason of an  
38 indorsement.

1 (c) "Broker" means a person defined as a broker or dealer under  
2 the federal securities laws, but without excluding a bank acting in  
3 that capacity.

4 (d) "Certificated security" means a security that is represented  
5 by a certificate.

6 (e) "Clearing corporation" means:

7 (i) A person that is registered as a "clearing agency" under the  
8 federal securities laws;

9 (ii) A federal reserve bank; or

10 (iii) Any other person that provides clearance or settlement  
11 services with respect to financial assets that would require it to  
12 register as a clearing agency under the federal securities laws but  
13 for an exclusion or exemption from the registration requirement, if  
14 its activities as a clearing corporation, including adoption of  
15 rules, are subject to regulation by a federal or state governmental  
16 authority.

17 (f) "Communicate" means to:

18 (i) Send a signed (~~writing~~) record; or

19 (ii) Transmit information by any mechanism agreed upon by the  
20 persons transmitting and receiving the information.

21 (g) "Entitlement holder" means a person identified in the records  
22 of a securities intermediary as the person having a security  
23 entitlement against the securities intermediary. If a person acquires  
24 a security entitlement by virtue of RCW 62A.8-501(2) (b) or (c), that  
25 person is the entitlement holder.

26 (h) "Entitlement order" means a notification communicated to a  
27 securities intermediary directing transfer or redemption of a  
28 financial asset to which the entitlement holder has a security  
29 entitlement.

30 (i) "Financial asset," except as otherwise provided in RCW  
31 62A.8-103, means:

32 (i) A security;

33 (ii) An obligation of a person or a share, participation, or  
34 other interest in a person or in property or an enterprise of a  
35 person, which is, or is of a type, dealt in or traded on financial  
36 markets, or which is recognized in any area in which it is issued or  
37 dealt in as a medium for investment; or

38 (iii) Any property that is held by a securities intermediary for  
39 another person in a securities account if the securities intermediary

1 has expressly agreed with the other person that the property is to be  
2 treated as a financial asset under this Article.

3 As context requires, the term means either the interest itself or the  
4 means by which a person's claim to it is evidenced, including a  
5 certificated or uncertificated security, a security certificate, or a  
6 security entitlement.

7 (j) [Reserved.]

8 (k) "Indorsement" means a signature that alone or accompanied by  
9 other words is made on a security certificate in registered form or  
10 on a separate document for the purpose of assigning, transferring, or  
11 redeeming the security or granting a power to assign, transfer, or  
12 redeem it.

13 (l) "Instruction" means a notification communicated to the issuer  
14 of an uncertificated security which directs that the transfer of the  
15 security be registered or that the security be redeemed.

16 (m) "Registered form," as applied to a certificated security,  
17 means a form in which:

18 (i) The security certificate specifies a person entitled to the  
19 security; and

20 (ii) A transfer of the security may be registered upon books  
21 maintained for that purpose by or on behalf of the issuer, or the  
22 security certificate so states.

23 (n) "Securities intermediary" means:

24 (i) A clearing corporation; or

25 (ii) A person, including a bank or broker, that in the ordinary  
26 course of its business maintains securities accounts for others and  
27 is acting in that capacity.

28 (o) "Security," except as otherwise provided in RCW 62A.8-103,  
29 means an obligation of an issuer or a share, participation, or other  
30 interest in an issuer or in property or an enterprise of an issuer:

31 (i) Which is represented by a security certificate in bearer or  
32 registered form, or the transfer of which may be registered upon  
33 books maintained for that purpose by or on behalf of the issuer;

34 (ii) Which is one of a class or series or by its terms is  
35 divisible into a class or series of shares, participations,  
36 interests, or obligations; and

37 (iii) Which:

38 (A) Is, or is of a type, dealt in or traded on securities  
39 exchanges or securities markets; or

1 (B) Is a medium for investment and by its terms expressly  
2 provides that it is a security governed by this Article.

3 (p) "Security certificate" means a certificate representing a  
4 security.

5 (q) "Security entitlement" means the rights and property interest  
6 of an entitlement holder with respect to a financial asset specified  
7 in Part 5 of this Article.

8 (r) "Uncertificated security" means a security that is not  
9 represented by a certificate.

10 (2) (~~Other~~) The following definitions (~~applying to~~) in this  
11 Article and (~~the sections in which they appear are~~) other articles  
12 apply to this Article:

13	Appropriate person	RCW 62A.8-107
14	Control	RCW 62A.8-106
15	<u>Controllable account</u>	<u>RCW 62A.9A-102</u>
16	<u>Controllable electronic</u>	<u>Section 1002 of this act</u>
17	<u>record</u>	
18	<u>Controllable payment</u>	<u>RCW 62A.9A-102</u>
19	<u>intangible</u>	
20	Delivery	RCW 62A.8-301
21	Investment company	RCW 62A.8-103
22	security	
23	Issuer	RCW 62A.8-201
24	Overissue	RCW 62A.8-210
25	Protected purchaser	RCW 62A.8-303
26	Securities account	RCW 62A.8-501

27 (3) In addition Article 1 contains general definitions and  
28 principles of construction and interpretation applicable throughout  
29 this Article.

30 (4) The characterization of a person, business, or transaction  
31 for purposes of this Article does not determine the characterization  
32 of the person, business, or transaction for purposes of any other  
33 law, regulation, or rule.

34 **Sec. 802.** RCW 62A.8-103 and 2012 c 214 s 1403 are each amended  
35 to read as follows:

1 (1) A share or similar equity interest issued by a corporation,  
2 business trust, joint stock company, or similar entity is a security.

3 (2) An "investment company security" is a security. "Investment  
4 company security" means a share or similar equity interest issued by  
5 an entity that is registered as an investment company under the  
6 federal investment company laws, an interest in a unit investment  
7 trust that is so registered, or a face-amount certificate issued by a  
8 face-amount certificate company that is so registered. Investment  
9 company security does not include an insurance policy or endowment  
10 policy or annuity contract issued by an insurance company.

11 (3) An interest in a partnership or limited liability company is  
12 not a security unless it is dealt in or traded on securities  
13 exchanges or in securities markets, its terms expressly provide that  
14 it is a security governed by this Article, or it is an investment  
15 company security. However, an interest in a partnership or limited  
16 liability company is a financial asset if it is held in a securities  
17 account.

18 (4) A writing that is a security certificate is governed by this  
19 Article and not by Article 3, even though it also meets the  
20 requirements of that Article. However, a negotiable instrument  
21 governed by Article 3 is a financial asset if it is held in a  
22 securities account.

23 (5) An option or similar obligation issued by a clearing  
24 corporation to its participants is not a security, but is a financial  
25 asset.

26 (6) A commodity contract, as defined in RCW 62A.9A-102, is not a  
27 security or a financial asset.

28 (7) A document of title is not a financial asset unless RCW  
29 62A.8-102(1)(i)(iii) applies.

30 (8) A controllable account, controllable electronic record, or  
31 controllable payment intangible is not a financial asset unless RCW  
32 62A.8-102(1)(i)(iii) applies.

33 **Sec. 803.** RCW 62A.8-106 and 2000 c 250 s 9A-816 are each amended  
34 to read as follows:

35 (1) A purchaser has "control" of a certificated security in  
36 bearer form if the certificated security is delivered to the  
37 purchaser.

1 (2) A purchaser has "control" of a certificated security in  
2 registered form if the certificated security is delivered to the  
3 purchaser, and:

4 (a) The certificate is indorsed to the purchaser or in blank by  
5 an effective indorsement; or

6 (b) The certificate is registered in the name of the purchaser,  
7 upon original issue or registration of transfer by the issuer.

8 (3) A purchaser has "control" of an uncertificated security if:

9 (a) The uncertificated security is delivered to the purchaser; or

10 (b) The issuer has agreed that it will comply with instructions  
11 originated by the purchaser without further consent by the registered  
12 owner.

13 (4) A purchaser has "control" of a security entitlement if:

14 (a) The purchaser becomes the entitlement holder;

15 (b) The securities intermediary has agreed that it will comply  
16 with entitlement orders originated by the purchaser without further  
17 consent by the entitlement holder; or

18 (c) Another person (~~(has control of the security entitlement on~~  
19 ~~behalf of the purchaser or, having previously acquired control of the~~  
20 ~~security entitlement, acknowledges that it has control on behalf of~~  
21 ~~the purchaser)), other than the transferor to the purchaser of an  
22 interest in the security entitlement:~~

23 (i) Has control of the security entitlement and acknowledges that  
24 it has control on behalf of the purchaser; or

25 (ii) Obtains control of the security entitlement after having  
26 acknowledged that it will obtain control of the security entitlement  
27 on behalf of the purchaser.

28 (5) If an interest in a security entitlement is granted by the  
29 entitlement holder to the entitlement holder's own securities  
30 intermediary, the securities intermediary has control.

31 (6) A purchaser who has satisfied the requirements of subsection  
32 (3) or (4) of this section has control even if the registered owner  
33 in the case of subsection (3) of this section or the entitlement  
34 holder in the case of subsection (4) of this section retains the  
35 right to make substitutions for the uncertificated security or  
36 security entitlement, to originate instructions or entitlement orders  
37 to the issuer or securities intermediary, or otherwise to deal with  
38 the uncertificated security or security entitlement.

39 (7) An issuer or a securities intermediary may not enter into an  
40 agreement of the kind described in subsection (3)(b) or (4)(b) of



1 this section without the consent of the registered owner or  
2 entitlement holder, but an issuer or a securities intermediary is not  
3 required to enter into such an agreement even though the registered  
4 owner or entitlement holder so directs. An issuer or securities  
5 intermediary that has entered into such an agreement is not required  
6 to confirm the existence of the agreement to another party unless  
7 requested to do so by the registered owner or entitlement holder.

8 (8) A person that has control under this section is not required  
9 to acknowledge that it has control on behalf of a purchaser.

10 (9) If a person acknowledges that it has or will obtain control  
11 on behalf of a purchaser, unless the person otherwise agrees or law  
12 other than this Article or Article 9A of this title otherwise  
13 provides, the person does not owe any duty to the purchaser and is  
14 not required to confirm the acknowledgment to any other person.

15 **Sec. 804.** RCW 62A.8-110 and 2001 c 32 s 14 are each amended to  
16 read as follows:

17 (1) The local law of the issuer's jurisdiction, as specified in  
18 subsection (4) of this section, governs:

19 (a) The validity of a security;

20 (b) The rights and duties of the issuer with respect to  
21 registration of transfer;

22 (c) The effectiveness of registration of transfer by the issuer;

23 (d) Whether the issuer owes any duties to an adverse claimant to  
24 a security; and

25 (e) Whether an adverse claim can be asserted against a person to  
26 whom transfer of a certificated or uncertificated security is  
27 registered or a person who obtains control of an uncertificated  
28 security.

29 (2) The local law of the securities intermediary's jurisdiction,  
30 as specified in subsection (5) of this section, governs:

31 (a) Acquisition of a security entitlement from the securities  
32 intermediary;

33 (b) The rights and duties of the securities intermediary and  
34 entitlement holder arising out of a security entitlement;

35 (c) Whether the securities intermediary owes any duties to an  
36 adverse claimant to a security entitlement; and

37 (d) Whether an adverse claim can be asserted against a person who  
38 acquires a security entitlement from the securities intermediary or a

1 person who purchases a security entitlement or interest therein from  
2 an entitlement holder.

3 (3) The local law of the jurisdiction in which a security  
4 certificate is located at the time of delivery governs whether an  
5 adverse claim can be asserted against a person to whom the security  
6 certificate is delivered.

7 (4) "Issuer's jurisdiction" means the jurisdiction under which  
8 the issuer of the security is organized or, if permitted by the law  
9 of that jurisdiction, the law of another jurisdiction specified by  
10 the issuer. An issuer organized under the law of this state may  
11 specify the law of another jurisdiction as the law governing the  
12 matters specified in subsection (1)(b) through (e) of this section.

13 (5) The following rules determine a "securities intermediary's  
14 jurisdiction" for purposes of this section:

15 (a) If an agreement between the securities intermediary and its  
16 entitlement holder governing the securities account expressly  
17 provides that a particular jurisdiction is the securities  
18 intermediary's jurisdiction for purposes of this part, this Article,  
19 or Article 62A.9A RCW, that jurisdiction is the securities  
20 intermediary's jurisdiction.

21 (b) If (a) of this subsection does not apply and an agreement  
22 between the securities intermediary and its entitlement holder  
23 governing the securities account expressly provides that the  
24 agreement is governed by the law of a particular jurisdiction, that  
25 jurisdiction is the securities intermediary's jurisdiction.

26 (c) If neither (a) nor (b) of this subsection applies, and an  
27 agreement between the securities intermediary and its entitlement  
28 holder governing the securities account expressly provides that the  
29 securities account is maintained at an office in a particular  
30 jurisdiction, that jurisdiction is the securities intermediary's  
31 jurisdiction.

32 (d) If (a), (b), and (c) of this subsection do not apply, the  
33 securities intermediary's jurisdiction is the jurisdiction in which  
34 the office identified in an account statement as the office serving  
35 the entitlement holder's account is located.

36 (e) If (a), (b), (c), and (d) of this subsection do not apply,  
37 the securities intermediary's jurisdiction is the jurisdiction in  
38 which the chief executive office of the securities intermediary is  
39 located.

1 (6) A securities intermediary's jurisdiction is not determined by  
2 the physical location of certificates representing financial assets,  
3 or by the jurisdiction in which is organized the issuer of the  
4 financial asset with respect to which an entitlement holder has a  
5 security entitlement, or by the location of facilities for data  
6 processing or other recordkeeping concerning the account.

7 (7) The local law of the issuer's jurisdiction or the securities  
8 intermediary's jurisdiction governs a matter or transaction specified  
9 in subsection (1) or (2) of this section even if the matter or  
10 transaction does not bear any relation to the jurisdiction.

11 **Sec. 805.** RCW 62A.8-303 and 1995 c 48 s 29 are each amended to  
12 read as follows:

13 (1) "Protected purchaser" means a purchaser of a certificated or  
14 uncertificated security, or of an interest therein, who:

15 (a) Gives value;

16 (b) Does not have notice of any adverse claim to the security;

17 and

18 (c) Obtains control of the certificated or uncertificated  
19 security.

20 (2) (~~In addition to acquiring the rights of a purchaser, a~~) A  
21 protected purchaser also acquires its interest in the security free  
22 of any adverse claim.

23 **PART IX**

24 **Sec. 901.** RCW 62A.9A-102 and 2012 c 214 s 1502 are each amended  
25 to read as follows:

26 (a) **Article 9A definitions.** In this Article:

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

30 (2) (A) "Account," except as used in "account for," "account  
31 statement," "account to," "commodity account" in (14) of this  
32 subsection, "customer's account," "deposit account" in (29) of this  
33 subsection, "on account of," and "statement of account," means a  
34 right to payment of a monetary obligation, whether or not earned by  
35 performance, (i) for property that has been or is to be sold, leased,  
36 licensed, assigned, or otherwise disposed of, (ii) for services  
37 rendered or to be rendered, (iii) for a policy of insurance issued or

1 to be issued, (iv) for a secondary obligation incurred or to be  
2 incurred, (v) for energy provided or to be provided, (vi) for the use  
3 or hire of a vessel under a charter or other contract, (vii) arising  
4 out of the use of a credit or charge card or information contained on  
5 or for use with the card, or (viii) as winnings in a lottery or other  
6 game of chance operated or sponsored by a state, governmental unit of  
7 a state, or person licensed or authorized to operate the game by a  
8 state or governmental unit of a state. The term includes controllable  
9 accounts and health-care-insurance receivables.

10 (B) The term does not include (i) (~~rights to payment evidenced~~  
11 ~~by chattel paper or an instrument~~) chattel paper, (ii) commercial  
12 tort claims, (iii) deposit accounts, (iv) investment property, (v)  
13 letter-of-credit rights or letters of credit, (~~or~~) (vi) rights to  
14 payment for money or funds advanced or sold, other than rights  
15 arising out of the use of a credit or charge card or information  
16 contained on or for use with the card, or (vii) rights to payment  
17 evidenced by an instrument.

18 (3) "Account debtor" means a person obligated on an account,  
19 chattel paper, or general intangible. The term does not include  
20 persons obligated to pay a negotiable instrument, even if the  
21 negotiable instrument (~~constitutes part of~~) evidences chattel  
22 paper.

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

25 (A) (~~Authenticated~~) Signed by a secured party;

26 (B) Indicating the aggregate unpaid secured obligations as of a  
27 date not more than (~~thirty-five~~) 35 days earlier or (~~thirty-five~~)  
28 35 days later than the date of the record; and

29 (C) Identifying the components of the obligations in reasonable  
30 detail.

31 (5) "Agricultural lien" means an interest, other than a security  
32 interest, in farm products:

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

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

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

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

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

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

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

8 (6) "As-extracted collateral" means:

9 (A) Oil, gas, or other minerals that are subject to a security  
10 interest that:

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

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

14 (B) Accounts arising out of the sale at the wellhead or minehead  
15 of oil, gas, or other minerals in which the debtor had an interest  
16 before extraction.

17 (7) (~~"Authenticate" means:~~

18 ~~(A) To sign; or~~

19 ~~(B) With present intent to adopt or accept a record, to attach to~~  
20 ~~or logically associate with the record an electronic sound, symbol,~~  
21 ~~or process.)) [Reserved.]~~

22 (7A) "Assignee," except as used in "assignee for benefit of  
23 creditors," means a person (i) in whose favor a security interest  
24 that secures an obligation is created or provided for under a  
25 security agreement, whether or not the obligation is outstanding or  
26 (ii) to which an account, chattel paper, payment intangible, or  
27 promissory note has been sold. The term includes a person to which a  
28 security interest has been transferred by a secured party.

29 (7B) "Assignor" means a person that (i) under a security  
30 agreement creates or provides for a security interest that secures an  
31 obligation or (ii) sells an account, chattel paper, payment  
32 intangible, or promissory note. The term includes a secured party  
33 that has transferred a security interest to another person.

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

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

39 (10) "Certificate of title" means a certificate of title with  
40 respect to which a statute provides for the security interest in

1 question to be indicated on the certificate as a condition or result  
2 of the security interest's obtaining priority over the rights of a  
3 lien creditor with respect to the collateral. The term includes  
4 another record maintained as an alternative to a certificate of title  
5 by the governmental unit that issues certificates of title if a  
6 statute permits the security interest in question to be indicated on  
7 the record as a condition or result of the security interest's  
8 obtaining priority over the rights of a lien creditor with respect to  
9 the collateral.

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

26 (A) A right to payment of a monetary obligation secured by  
27 specific goods, if the right to payment and security agreement are  
28 evidenced by a record; or

29 (B) A right to payment of a monetary obligation owed by a lessee  
30 under a lease agreement with respect to specific goods and a monetary  
31 obligation owed by the lessee in connection with the transaction  
32 giving rise to the lease, if:

33 (i) The right to payment and lease agreement are evidenced by a  
34 record; and

35 (ii) The predominant purpose of the transaction giving rise to  
36 the lease was to give the lessee the right to possession and use of  
37 the goods.

38 The term does not include a right to payment arising out of a  
39 charter or other contract involving the use or hire of a vessel or a

1 right to payment arising out of the use of a credit or charge card or  
2 information contained on or for use with the card.

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

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

6 (B) Accounts, chattel paper, payment intangibles, and promissory  
7 notes that have been sold; and

8 (C) Goods that are the subject of a consignment.

9 (13) "Commercial tort claim" means a claim arising in tort with  
10 respect to which:

11 (A) The claimant is an organization; or

12 (B) The claimant is an individual, and the claim:

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

15 (ii) Does not include damages arising out of personal injury to,  
16 or the death of, an individual.

17 (14) "Commodity account" means an account maintained by a  
18 commodity intermediary in which a commodity contract is carried for a  
19 commodity customer.

20 (15) "Commodity contract" means a commodity futures contract, an  
21 option on a commodity futures contract, a commodity option, or  
22 another contract if the contract or option is:

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

26 (B) Traded on a foreign commodity board of trade, exchange, or  
27 market, and is carried on the books of a commodity intermediary for a  
28 commodity customer.

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

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

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

34 (B) In the ordinary course of its business, provides clearance or  
35 settlement services for a board of trade that has been designated as  
36 a contract market pursuant to federal commodities law.

37 (18) "Communicate" means:

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

39 (B) To transmit a record by any means agreed upon by the persons  
40 sending and receiving the record; or

1 (C) In the case of transmission of a record to or by a filing  
2 office, to transmit a record by any means prescribed by filing-office  
3 rule.

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

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

9 (A) The merchant:

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

12 (ii) Is not an auctioneer; and

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

15 (B) With respect to each delivery, the aggregate value of the  
16 goods is one thousand dollars or more at the time of delivery;

17 (C) The goods are not consumer goods immediately before delivery;  
18 and

19 (D) The transaction does not create a security interest that  
20 secures an obligation.

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

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

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

26 (24) "Consumer-goods transaction" means a consumer transaction in  
27 which:

28 (A) An individual incurs a consumer obligation; and

29 (B) A security interest in consumer goods secures the obligation.

30 (25) "Consumer obligation" means an obligation which:

31 (A) Is incurred as part of a transaction entered into primarily  
32 for personal, family, or household purposes; and

33 (B) Arises from an extension of credit, or commitment to extend  
34 credit, in an aggregate amount not exceeding forty thousand dollars,  
35 or is secured by personal property used or expected to be used as a  
36 principal dwelling.

37 "Consumer obligor" means an obligor who is an individual and who  
38 incurred a consumer obligation.

39 (26) "Consumer transaction" means a transaction in which (i) an  
40 individual incurs a consumer obligation, (ii) a security interest



1 secures the obligation, and (iii) the collateral is held or acquired  
2 primarily for personal, family, or household purposes. The term  
3 includes consumer-goods transactions.

4 (27) "Continuation statement" means an amendment of a financing  
5 statement which:

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

8 (B) Indicates that it is a continuation statement for, or that it  
9 is filed to continue the effectiveness of, the identified financing  
10 statement.

11 (27A) "Controllable account" means an account evidenced by a  
12 controllable electronic record that provides that the account debtor  
13 undertakes to pay the person that has control under section 1005 of  
14 this act of the controllable electronic record.

15 (27B) "Controllable payment intangible" means a payment  
16 intangible evidenced by a controllable electronic record that  
17 provides that the account debtor undertakes to pay the person that  
18 has control under section 1005 of this act of the controllable  
19 electronic record.

20 (28) "Debtor" means:

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

24 (B) A seller of accounts, chattel paper, payment intangibles, or  
25 promissory notes; or

26 (C) A consignee.

27 (29) "Deposit account" means a demand, time, savings, passbook,  
28 or similar account maintained with a bank. The term does not include  
29 investment property or accounts evidenced by an instrument.

30 (30) "Document" means a document of title or a receipt of the  
31 type described in RCW 62A.7-201(b).

32 (~~(31) ("Electronic chattel paper" means chattel paper evidenced~~  
33 ~~by a record or records consisting of information stored in an~~  
34 ~~electronic medium.)~~) [Reserved.]

35 (31A) "Electronic money" means money in an electronic form.

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

39 (33) "Equipment" means goods other than inventory, farm products,  
40 or consumer goods.

1 (34) "Farm products" means goods, other than standing timber,  
2 with respect to which the debtor is engaged in a farming operation  
3 and which are:

4 (A) Crops grown, growing, or to be grown, including:

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

6 (ii) Aquatic goods produced in aquacultural operations;

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

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

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

12 (35) "Farming operation" means raising, cultivating, propagating,  
13 fattening, grazing, or any other farming, livestock, or aquacultural  
14 operation.

15 (36) "File number" means the number assigned to an initial  
16 financing statement pursuant to RCW 62A.9A-519(a).

17 (37) "Filing office" means an office designated in RCW 62A.9A-501  
18 as the place to file a financing statement.

19 (38) "Filing-office rule" means a rule adopted pursuant to RCW  
20 62A.9A-526.

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

24 (40) "Fixture filing" means the filing of a financing statement  
25 covering goods that are or are to become fixtures and satisfying RCW  
26 62A.9A-502 (a) and (b). The term includes the filing of a financing  
27 statement covering goods of a transmitting utility which are or are  
28 to become fixtures.

29 (41) "Fixtures" means goods that have become so related to  
30 particular real property that an interest in them arises under real  
31 property law.

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

38 (43) [Reserved.]

39 (44) "Goods" means all things that are movable when a security  
40 interest attaches. The term includes (i) fixtures, (ii) standing

1 timber that is to be cut and removed under a conveyance or contract  
2 for sale, (iii) the unborn young of animals, (iv) crops grown,  
3 growing, or to be grown, even if the crops are produced on trees,  
4 vines, or bushes, and (v) manufactured homes. The term also includes  
5 a computer program embedded in goods and any supporting information  
6 provided in connection with a transaction relating to the program if  
7 (i) the program is associated with the goods in such a manner that it  
8 customarily is considered part of the goods, or (ii) by becoming the  
9 owner of the goods, a person acquires a right to use the program in  
10 connection with the goods. The term does not include a computer  
11 program embedded in goods that consist solely of the medium in which  
12 the program is embedded. The term also does not include accounts,  
13 chattel paper, commercial tort claims, deposit accounts, documents,  
14 general intangibles, instruments, investment property, letter-of-  
15 credit rights, letters of credit, money, or oil, gas, or other  
16 minerals before extraction or a manufactured home converted to real  
17 property under chapter 65.20 RCW.

18 (45) "Governmental unit" means a subdivision, agency, department,  
19 county, parish, municipality, or other unit of the government of the  
20 United States, a state, or a foreign country. The term includes an  
21 organization having a separate corporate existence if the  
22 organization is eligible to issue debt on which interest is exempt  
23 from income taxation under the laws of the United States.

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

27 (47) "Instrument" means a negotiable instrument or any other  
28 writing that evidences a right to the payment of a monetary  
29 obligation, is not itself a security agreement or lease, and is of a  
30 type that in ordinary course of business is transferred by delivery  
31 with any necessary indorsement or assignment. The term does not  
32 include (i) investment property, (ii) letters of credit, (iii)  
33 writings that evidence a right to payment arising out of the use of a  
34 credit or charge card or information contained on or for use with the  
35 card, (iv) writings that do not contain a promise or order to pay,  
36 (~~(v)~~) (v) writings that are expressly nontransferable or  
37 nonassignable, or (vi) writings that evidence chattel paper.

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

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

1 (B) Are held by a person for sale or lease or to be furnished  
2 under a contract of service;

3 (C) Are furnished by a person under a contract of service; or

4 (D) Consist of raw materials, work in process, or materials used  
5 or consumed in a business.

6 (49) "Investment property" means a security, whether certificated  
7 or uncertificated, security entitlement, securities account,  
8 commodity contract, or commodity account.

9 (50) "Jurisdiction of organization," with respect to a registered  
10 organization, means the jurisdiction under whose law the organization  
11 is formed or organized.

12 (51) "Letter-of-credit right" means a right to payment or  
13 performance under a letter of credit, whether or not the beneficiary  
14 has demanded or is at the time entitled to demand payment or  
15 performance. The term does not include the right of a beneficiary to  
16 demand payment or performance under a letter of credit.

17 (52) "Lien creditor" means:

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

20 (B) An assignee for benefit of creditors from the time of  
21 assignment;

22 (C) A trustee in bankruptcy from the date of the filing of the  
23 petition; or

24 (D) A receiver in equity from the time of appointment.

25 (53) "Manufactured home" means a manufactured home or mobile home  
26 as defined in RCW 46.04.302.

27 (54) [Reserved.]

28 (54A) "Money" has the meaning in RCW 62A.1-201(b)(24), but does  
29 not include (i) a deposit account or (ii) money in an electronic form  
30 that cannot be subjected to control under section 904 of this act.

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

34 (56) "New debtor" means a person that becomes bound as debtor  
35 under RCW 62A.9A-203(d) by a security agreement previously entered  
36 into by another person.

37 (57) "New value" means (i) money, (ii) money's worth in property,  
38 services, or new credit, or (iii) release by a transferee of an  
39 interest in property previously transferred to the transferee. The

1 term does not include an obligation substituted for another  
2 obligation.

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

4 (59) "Obligor" means a person that, with respect to an obligation  
5 secured by a security interest in or an agricultural lien on the  
6 collateral, (i) owes payment or other performance of the obligation,  
7 (ii) has provided property other than the collateral to secure  
8 payment or other performance of the obligation, or (iii) is otherwise  
9 accountable in whole or in part for payment or other performance of  
10 the obligation. The term does not include issuers or nominated  
11 persons under a letter of credit.

12 (60) "Original debtor", except as used in RCW 62A.9A-310(c),  
13 means a person that, as debtor, entered into a security agreement to  
14 which a new debtor has become bound under RCW 62A.9A-203(d).

15 (61) "Payment intangible" means a general intangible under which  
16 the account debtor's principal obligation is a monetary obligation.  
17 The term includes a controllable payment intangible.

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

19 (A) The spouse or state registered domestic partner of the  
20 individual;

21 (B) A brother, brother-in-law, sister, or sister-in-law of the  
22 individual;

23 (C) An ancestor or lineal descendant of the individual or the  
24 individual's spouse or state registered domestic partner; or

25 (D) Any other relative, by blood or by marriage or other law, of  
26 the individual or the individual's spouse or state registered  
27 domestic partner who shares the same home with the individual.

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

29 (A) A person directly or indirectly controlling, controlled by,  
30 or under common control with the organization;

31 (B) An officer or director of, or a person performing similar  
32 functions with respect to, the organization;

33 (C) An officer or director of, or a person performing similar  
34 functions with respect to, a person described in (63)(A) of this  
35 subsection;

36 (D) The spouse or state registered domestic partner of an  
37 individual described in (63)(A), (B), or (C) of this subsection; or

38 (E) An individual who is related by blood or by marriage or other  
39 law to an individual described in (63)(A), (B), (C), or (D) of this  
40 subsection and shares the same home with the individual.

1 (64) "Proceeds", except as used in RCW 62A.9A-609(b), means the  
2 following property:

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

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

7 (C) Rights arising out of collateral;

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

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

15 (65) "Promissory note" means an instrument that evidences a  
16 promise to pay a monetary obligation, does not evidence an order to  
17 pay, and does not contain an acknowledgment by a bank that the bank  
18 has received for deposit a sum of money or funds.

19 (66) "Proposal" means a record (~~authenticated~~) signed by a  
20 secured party, which includes the terms on which the secured party is  
21 willing to accept collateral in full or partial satisfaction of the  
22 obligation it secures pursuant to RCW 62A.9A-620, 62A.9A-621, and  
23 62A.9A-622.

24 (67) "Public-finance transaction" means a secured transaction in  
25 connection with which:

26 (A) Debt securities are issued;

27 (B) All or a portion of the securities issued have an initial  
28 stated maturity of at least twenty years; and

29 (C) The debtor, obligor, secured party, account debtor or other  
30 person obligated on collateral, assignor or assignee of a secured  
31 obligation, or assignor or assignee of a security interest is a state  
32 or a governmental unit of a state.

33 (68) "Public organic record" means a record that is available to  
34 the public for inspection and is:

35 (A) A record consisting of the record initially filed with or  
36 issued by a state or the United States to form or organize an  
37 organization and any record filed with or issued by the state or the  
38 United States which amends or restates the initial record;

39 (B) An organic record of a business trust consisting of the  
40 record initially filed with a state and any record filed with the

1 state which amends or restates the initial record, if a statute of  
2 the state governing business trusts requires that the record be filed  
3 with the state; or

4 (C) A record consisting of legislation enacted by the legislature  
5 of a state or the congress of the United States which forms or  
6 organizes an organization, any record amending the legislation, and  
7 any record filed with or issued by the state or the United States  
8 which amends or restates the name of the organization.

9 (69) "Pursuant to commitment," with respect to an advance made or  
10 other value given by a secured party, means pursuant to the secured  
11 party's obligation, whether or not a subsequent event of default or  
12 other event not within the secured party's control has relieved or  
13 may relieve the secured party from its obligation.

14 (70) "Record," except as used in "for record," "of record,"  
15 "record or legal title," and "record owner," means information that  
16 is inscribed on a tangible medium or which is stored in an electronic  
17 or other medium and is retrievable in perceivable form.

18 (71) "Registered organization" means an organization formed or  
19 organized solely under the law of a single state or the United States  
20 by the filing of a public organic record with, the issuance of a  
21 public organic record by, or the enactment of legislation by the  
22 state or the United States. The term includes a business trust that  
23 is formed or organized under the law of a single state if a statute  
24 of the state governing business trusts requires that the business  
25 trust's organic record be filed with the state.

26 (72) "Secondary obligor" means an obligor to the extent that:

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

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

31 (73) "Secured party" means:

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

35 (B) A person that holds an agricultural lien;

36 (C) A consignor;

37 (D) A person to which accounts, chattel paper, payment  
38 intangibles, or promissory notes have been sold;

1 (E) A trustee, indenture trustee, agent, collateral agent, or  
2 other representative in whose favor a security interest or  
3 agricultural lien is created or provided for; or

4 (F) A person that holds a security interest arising under RCW  
5 62A.2-401, 62A.2-505, 62A.2-711(3), 62A.2A-508(5), 62A.4-210, or  
6 62A.5-118.

7 (74) "Security agreement" means an agreement that creates or  
8 provides for a security interest.

9 (75) (~~"Send," in connection with a record or notification,~~  
10 means:

11 ~~(A) To deposit in the mail, deliver for transmission, or transmit~~  
12 ~~by any other usual means of communication, with postage or cost of~~  
13 ~~transmission provided for, addressed to any address reasonable under~~  
14 ~~the circumstances; or~~

15 ~~(B) To cause the record or notification to be received within the~~  
16 ~~time that it would have been received if properly sent under (75) (A)~~  
17 ~~of this subsection.)) [Reserved.]~~

18 (76) "Software" means a computer program and any supporting  
19 information provided in connection with a transaction relating to the  
20 program. The term does not include a computer program that is  
21 included in the definition of goods.

22 (77) "State" means a state of the United States, the District of  
23 Columbia, Puerto Rico, the United States Virgin Islands, or any  
24 territory or insular possession subject to the jurisdiction of the  
25 United States.

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

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

33 (79A) "Tangible money" means money in a tangible form.

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

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

38 (B) Indicates either that it is a termination statement or that  
39 the identified financing statement is no longer effective.



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

- 3 (A) Operating a railroad, subway, street railway, or trolley bus;  
4 (B) Transmitting communications electrically,  
5 electromagnetically, or by light;  
6 (C) Transmitting goods by pipeline or sewer; or  
7 (D) Transmitting or producing and transmitting electricity,  
8 steam, gas, or water.

9 (b) **Definitions in other articles.** "Control" as provided in RCW  
10 62A.7-106 and the following definitions in other articles apply to  
11 this Article:

12	"Applicant."	RCW 62A.5-102.
13	"Beneficiary."	RCW 62A.5-102.
14	"Broker."	RCW 62A.8-102.
15	"Certificated security."	RCW 62A.8-102.
16	"Check."	RCW 62A.3-104.
17	"Clearing corporation."	RCW 62A.8-102.
18	"Contract for sale."	RCW 62A.2-106.
19	" <u>Controllable electronic</u>	<u>Section 1002 of this</u>
20	<u>record.</u> "	<u>act.</u>
21	"Customer."	RCW 62A.4-104.
22	"Entitlement holder."	RCW 62A.8-102.
23	"Financial asset."	RCW 62A.8-102.
24	"Holder in due course."	RCW 62A.3-302.
25	"Issuer" with respect to	
26	documents of title.	RCW 62A.7-102.
27	"Issuer" with respect to a	
28	letter of credit or letter-	
29	of-credit right.	RCW 62A.5-102.
30	"Issuer" with respect to a	
31	security.	RCW 62A.8-201.
32	"Lease."	RCW 62A.2A-103.
33	"Lease agreement."	RCW 62A.2A-103.
34	"Lease contract."	RCW 62A.2A-103.
35	"Leasehold interest."	RCW 62A.2A-103.
36	"Lessee."	RCW 62A.2A-103.

1	"Lessee in ordinary course	
2	of business."	RCW 62A.2A-103.
3	"Lessor."	RCW 62A.2A-103.
4	"Lessor's residual interest."	RCW 62A.2A-103.
5	"Letter of credit."	RCW 62A.5-102.
6	"Merchant."	RCW 62A.2-104.
7	"Negotiable instrument."	RCW 62A.3-104.
8	"Nominated person."	RCW 62A.5-102.
9	"Note."	RCW 62A.3-104.
10	"Proceeds of a letter of	
11	credit."	RCW 62A.5-114.
12	<u>"Protected purchaser."</u>	<u>RCW 62A.8-303.</u>
13	"Prove."	RCW 62A.3-103.
14	<u>"Qualifying purchaser."</u>	<u>Section 1002 of this</u>
15		<u>act.</u>
16	"Sale."	RCW 62A.2-106.
17	"Securities account."	RCW 62A.8-501.
18	"Securities intermediary."	RCW 62A.8-102.
19	"Security."	RCW 62A.8-102.
20	"Security certificate."	RCW 62A.8-102.
21	"Security entitlement."	RCW 62A.8-102.
22	"Uncertificated security."	RCW 62A.8-102.

23 (c) **Article 1 definitions and principles.** Article 1 contains  
24 general definitions and principles of construction and interpretation  
25 applicable throughout this Article.

26 **Sec. 902.** RCW 62A.9A-104 and 2001 c 32 s 17 are each amended to  
27 read as follows:

28 (a) **Requirements for control.** A secured party has control of a  
29 deposit account if:

30 (1) The secured party is the bank with which the deposit account  
31 is maintained;

32 (2) The debtor, secured party, and bank have agreed in (~~an~~  
33 ~~authenticated~~) a signed record that the bank will comply with  
34 instructions originated by the secured party directing disposition of  
35 the funds in the deposit account without further consent by the  
36 debtor; (~~or~~)

1 (3) The secured party becomes the bank's customer with respect to  
2 the deposit account; or

3 (4) Another person, other than the debtor:

4 (A) Has control of the deposit account and acknowledges that it  
5 has control on behalf of the secured party; or

6 (B) Obtains control of the deposit account after having  
7 acknowledged that it will obtain control of the deposit account on  
8 behalf of the secured party.

9 (b) **Debtor's right to direct disposition.** A secured party that  
10 has satisfied subsection (a) of this section has control, even if the  
11 debtor retains the right to direct the disposition of funds from the  
12 deposit account.

13 **Sec. 903.** RCW 62A.9A-105 and 2011 c 74 s 102 are each amended to  
14 read as follows:

15 (a) **General rule: Control of electronic copy of record evidencing**  
16 **chattel paper.** (~~(A secured party has control of electronic chattel~~  
17 ~~paper if a system employed for evidencing the transfer of interests~~  
18 ~~in the chattel paper reliably establishes the secured party as the~~  
19 ~~person to which the chattel paper was assigned.~~

20 ~~(b) **Specific facts giving control.** A system satisfies subsection~~  
21 ~~(a) of this section if the record or records comprising the chattel~~  
22 ~~paper are created, stored, and assigned in such a manner that:~~

23 ~~(1) A single authoritative copy of the record or records exists~~  
24 ~~which is unique, identifiable and, except as otherwise provided in~~  
25 ~~(4), (5), and (6) of this subsection, unalterable;~~

26 ~~(2) The authoritative copy identifies the secured party as the~~  
27 ~~assignee of the record or records;~~

28 ~~(3) The authoritative copy is communicated to and maintained by~~  
29 ~~the secured party or its designated custodian;~~

30 ~~(4) Copies or amendments that add or change an identified~~  
31 ~~assignee of the authoritative copy can be made only with the consent~~  
32 ~~of the secured party;~~

33 ~~(5) Each copy of the authoritative copy and any copy of a copy is~~  
34 ~~readily identifiable as a copy that is not the authoritative copy;~~  
35 ~~and~~

36 ~~(6) Any amendment of the authoritative copy is readily~~  
37 ~~identifiable as authorized or unauthorized.)) A purchaser has control  
38 of an authoritative electronic copy of a record evidencing chattel  
39 paper if a system employed for evidencing the assignment of interests~~

1 in the chattel paper reliably establishes the purchaser as the person  
2 to which the authoritative electronic copy was assigned.

3 (b) **Single authoritative copy.** A system satisfies subsection (a)  
4 of this section if the record or records evidencing the chattel paper  
5 are created, stored, and assigned in a manner that:

6 (1) A single authoritative copy of the record or records exists  
7 which is unique, identifiable, and, except as otherwise provided in  
8 (4), (5), and (6) of this subsection, unalterable;

9 (2) The authoritative copy identifies the purchaser as the  
10 assignee of the record or records;

11 (3) The authoritative copy is communicated to and maintained by  
12 the purchaser or its designated custodian;

13 (4) Copies or amendments that add or change an identified  
14 assignee of the authoritative copy can be made only with the consent  
15 of the purchaser;

16 (5) Each copy of the authoritative copy and any copy of a copy is  
17 readily identifiable as a copy that is not the authoritative copy;  
18 and

19 (6) Any amendment of the authoritative copy is readily  
20 identifiable as authorized or unauthorized.

21 (c) **One or more authoritative copies.** A system satisfies  
22 subsection (a) of this section, and a purchaser has control of an  
23 authoritative electronic copy of a record evidencing chattel paper,  
24 if the electronic copy, a record attached to or logically associated  
25 with the electronic copy, or a system in which the electronic copy is  
26 recorded:

27 (1) Enables the purchaser readily to identify each electronic  
28 copy as either an authoritative copy or a nonauthoritative copy;

29 (2) Enables the purchaser readily to identify itself in any way,  
30 including by name, identifying number, cryptographic key, office, or  
31 account number, as the assignee of the authoritative electronic copy;  
32 and

33 (3) Gives the purchaser exclusive power, subject to subsection  
34 (d) of this section, to:

35 (A) Prevent others from adding or changing an identified assignee  
36 of the authoritative electronic copy; and

37 (B) Transfer control of the authoritative electronic copy.

38 (d) **Meaning of exclusive.** Subject to subsection (e) of this  
39 section, a power is exclusive under subsection (c)(3)(A) and (B) of  
40 this section even if:

1 (1) The authoritative electronic copy, a record attached to or  
2 logically associated with the authoritative electronic copy, or a  
3 system in which the authoritative electronic copy is recorded limits  
4 the use of the authoritative electronic copy or has a protocol  
5 programmed to cause a change, including a transfer or loss of  
6 control; or

7 (2) The power is shared with another person.

8 (e) **When power not shared with another person.** A power of a  
9 purchaser is not shared with another person under subsection (d)(2)  
10 of this section and the purchaser's power is not exclusive if:

11 (1) The purchaser can exercise the power only if the power also  
12 is exercised by the other person; and

13 (2) The other person:

14 (A) Can exercise the power without exercise of the power by the  
15 purchaser; or

16 (B) Is the transferor to the purchaser of an interest in the  
17 chattel paper.

18 (f) **Presumption of exclusivity of certain powers.** If a purchaser  
19 has the powers specified in subsection (c)(3)(A) and (B) of this  
20 section, the powers are presumed to be exclusive.

21 (g) **Obtaining control through another person.** A purchaser has  
22 control of an authoritative electronic copy of a record evidencing  
23 chattel paper if another person, other than the transferor to the  
24 purchaser of an interest in the chattel paper:

25 (1) Has control of the authoritative electronic copy and  
26 acknowledges that it has control on behalf of the purchaser; or

27 (2) Obtains control of the authoritative electronic copy after  
28 having acknowledged that it will obtain control of the electronic  
29 copy on behalf of the purchaser.

30 NEW SECTION. **Sec. 904.** A new section is added to chapter 62A.9A  
31 RCW to read as follows:

32 SECTION 9-105A: CONTROL OF ELECTRONIC MONEY. (a) **General rule:**  
33 **Control of electronic money.** A person has control of electronic money  
34 if:

35 (1) The electronic money, a record attached to or logically  
36 associated with the electronic money, or a system in which the  
37 electronic money is recorded gives the person:

38 (A) Power to avail itself of substantially all the benefit from  
39 the electronic money; and

1 (B) Exclusive power, subject to subsection (b) of this section,  
2 to:

3 (i) Prevent others from availing themselves of substantially all  
4 the benefit from the electronic money; and

5 (ii) Transfer control of the electronic money to another person  
6 or cause another person to obtain control of other electronic money  
7 as a result of the transfer of the electronic money; and

8 (2) The electronic money, a record attached to or logically  
9 associated with the electronic money, or a system in which the  
10 electronic money is recorded enables the person readily to identify  
11 itself in any way, including by name, identifying number,  
12 cryptographic key, office, or account number, as having the powers  
13 under (1) of this subsection.

14 (b) **Meaning of exclusive.** Subject to subsection (c) of this  
15 section, a power is exclusive under subsection (a)(1)(B)(i) and (ii)  
16 of this section even if:

17 (1) The electronic money, a record attached to or logically  
18 associated with the electronic money, or a system in which the  
19 electronic money is recorded limits the use of the electronic money  
20 or has a protocol programmed to cause a change, including a transfer  
21 or loss of control; or

22 (2) The power is shared with another person.

23 (c) **When power not shared with another person.** A power of a  
24 person is not shared with another person under subsection (b)(2) of  
25 this section and the person's power is not exclusive if:

26 (1) The person can exercise the power only if the power also is  
27 exercised by the other person; and

28 (2) The other person:

29 (A) Can exercise the power without exercise of the power by the  
30 person; or

31 (B) Is the transferor to the person of an interest in the  
32 electronic money.

33 (d) **Presumption of exclusivity of certain powers.** If a person has  
34 the powers specified in subsection (a)(1)(B)(i) and (ii) of this  
35 section, the powers are presumed to be exclusive.

36 (e) **Control through another person.** A person has control of  
37 electronic money if another person, other than the transferor to the  
38 person of an interest in the electronic money:

39 (1) Has control of the electronic money and acknowledges that it  
40 has control on behalf of the person; or

1 (2) Obtains control of the electronic money after having  
2 acknowledged that it will obtain control of the electronic money on  
3 behalf of the person.

4 NEW SECTION. **Sec. 905.** A new section is added to chapter 62A.9A  
5 RCW to read as follows:

6 SECTION 9-107A: CONTROL OF CONTROLLABLE ELECTRONIC RECORD,  
7 CONTROLLABLE ACCOUNT, OR CONTROLLABLE PAYMENT INTANGIBLE. (a) **Control**  
8 **under section 1005 of this act.** A secured party has control of a  
9 controllable electronic record as provided in section 1005 of this  
10 act.

11 (b) **Control of controllable account and controllable payment**  
12 **intangible.** A secured party has control of a controllable account or  
13 controllable payment intangible if the secured party has control of  
14 the controllable electronic record that evidences the controllable  
15 account or controllable payment intangible.

16 NEW SECTION. **Sec. 906.** A new section is added to chapter 62A.9A  
17 RCW to read as follows:

18 SECTION 9-107B: NO REQUIREMENT TO ACKNOWLEDGE OR CONFIRM; NO  
19 DUTIES. (a) **No requirement to acknowledge.** A person that has control  
20 under RCW 62A.9A-104 or 62A.9A-105 or section 904 of this act is not  
21 required to acknowledge that it has control on behalf of another  
22 person.

23 (b) **No duties or confirmation.** If a person acknowledges that it  
24 has or will obtain control on behalf of another person, unless the  
25 person otherwise agrees or law other than this article otherwise  
26 provides, the person does not owe any duty to the other person and is  
27 not required to confirm the acknowledgment to any other person.

28 **Sec. 907.** RCW 62A.9A-203 and 2012 c 214 s 1503 are each amended  
29 to read as follows:

30 (a) **Attachment.** A security interest attaches to collateral when  
31 it becomes enforceable against the debtor with respect to the  
32 collateral, unless an agreement expressly postpones the time of  
33 attachment.

34 (b) **Enforceability.** Except as otherwise provided in subsections  
35 (c) through (i) of this section, a security interest is enforceable  
36 against the debtor and third parties with respect to the collateral  
37 only if:

1 (1) Value has been given;

2 (2) The debtor has rights in the collateral or the power to  
3 transfer rights in the collateral to a secured party; and

4 (3) One of the following conditions is met:

5 (A) The debtor has (~~authenticated~~) signed a security agreement  
6 that provides a description of the collateral and, if the security  
7 interest covers timber to be cut, a description of the land  
8 concerned;

9 (B) The collateral is not a certificated security and is in the  
10 possession of the secured party under RCW 62A.9A-313 pursuant to the  
11 debtor's security agreement;

12 (C) The collateral is a certificated security in registered form  
13 and the security certificate has been delivered to the secured party  
14 under RCW 62A.8-301 pursuant to the debtor's security agreement;  
15 (~~or~~)

16 (D) The collateral is controllable accounts, controllable  
17 electronic records, controllable payment intangibles, deposit  
18 accounts, (~~electronic chattel paper,~~) electronic documents,  
19 electronic money, investment property, or letter-of-credit rights,  
20 (~~or electronic documents,~~) and the secured party has control under  
21 RCW 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107 or  
22 section 904 or 905 of this act pursuant to the debtor's security  
23 agreement; or

24 (E) The collateral is chattel paper and the secured party has  
25 possession and control under section 922 of this act pursuant to the  
26 debtor's security agreement.

27 (c) **Other UCC provisions.** Subsection (b) of this section is  
28 subject to RCW 62A.4-210 on the security interest of a collecting  
29 bank, RCW 62A.5-118 on the security interest of a letter-of-credit  
30 issuer or nominated person, RCW 62A.9A-110 on a security interest  
31 arising under Article 2 or 2A, and RCW 62A.9A-206 on security  
32 interests in investment property.

33 (d) **When person becomes bound by another person's security**  
34 **agreement.** A person becomes bound as debtor by a security agreement  
35 entered into by another person if, by operation of law other than  
36 this Article or by contract:

37 (1) The security agreement becomes effective to create a security  
38 interest in the person's property; or

39 (2) The person becomes generally obligated for the obligations of  
40 the other person, including the obligation secured under the security



1 agreement, and acquires or succeeds to all or substantially all of  
2 the assets of the other person.

3 (e) **Effect of new debtor becoming bound.** If a new debtor becomes  
4 bound as debtor by a security agreement entered into by another  
5 person:

6 (1) The agreement satisfies subsection (b)(3) of this section  
7 with respect to existing or after-acquired property of the new debtor  
8 to the extent the property is described in the agreement; and

9 (2) Another agreement is not necessary to make a security  
10 interest in the property enforceable.

11 (f) **Proceeds and supporting obligations.** The attachment of a  
12 security interest in collateral gives the secured party the rights to  
13 proceeds provided by RCW 62A.9A-315 and is also attachment of a  
14 security interest in a supporting obligation for the collateral.

15 (g) **Lien securing right to payment.** The attachment of a security  
16 interest in a right to payment or performance secured by a security  
17 interest or other lien on personal or real property is also  
18 attachment of a security interest in the security interest, mortgage,  
19 or other lien.

20 (h) **Security entitlement carried in securities account.** The  
21 attachment of a security interest in a securities account is also  
22 attachment of a security interest in the security entitlements  
23 carried in the securities account.

24 (i) **Commodity contracts carried in commodity account.** The  
25 attachment of a security interest in a commodity account is also  
26 attachment of a security interest in the commodity contracts carried  
27 in the commodity account.

28 **Sec. 908.** RCW 62A.9A-204 and 2000 c 250 s 9A-204 are each  
29 amended to read as follows:

30 (a) **After-acquired collateral.** Except as otherwise provided in  
31 subsection (b) of this section, a security agreement may create or  
32 provide for a security interest in after-acquired collateral.

33 (b) **When after-acquired property clause not effective.** ((A))  
34 Subject to subsection (b.1) of this section, a security interest does  
35 not attach, under a term constituting an after-acquired property  
36 clause, to:

37 (1) Consumer goods, other than an accession when given as  
38 additional security, unless the debtor acquires rights in them within  
39 ten days after the secured party gives value; or

1 (2) A commercial tort claim.

2 (b.1) Limitation on subsection (b). Subsection (b) of this  
3 section does not prevent a security interest from attaching:

4 (1) To consumer goods as proceeds under RCW 62A.9A-315(a) or  
5 commingled goods under RCW 62A.9A-336(c);

6 (2) To a commercial tort claim as proceeds under RCW  
7 62A.9A-315(a); or

8 (3) Under an after-acquired property clause to property that is  
9 proceeds of consumer goods or a commercial tort claim.

10 (c) **Future advances and other value.** A security agreement may  
11 provide that collateral secures, or that accounts, chattel paper,  
12 payment intangibles, or promissory notes are sold in connection with,  
13 future advances or other value, whether or not the advances or value  
14 are given pursuant to commitment.

15 **Sec. 909.** RCW 62A.9A-207 and 2012 c 214 s 1504 are each amended  
16 to read as follows:

17 (a) **Duty of care when secured party in possession.** Except as  
18 otherwise provided in subsection (d) of this section, a secured party  
19 shall use reasonable care in the custody and preservation of  
20 collateral in the secured party's possession. In the case of chattel  
21 paper or an instrument, reasonable care includes taking necessary  
22 steps to preserve rights against prior parties unless otherwise  
23 agreed.

24 (b) **Expenses, risks, duties, and rights when secured party in**  
25 **possession.** Except as otherwise provided in subsection (d) of this  
26 section, if a secured party has possession of collateral:

27 (1) Reasonable expenses, including the cost of insurance and  
28 payment of taxes or other charges, incurred in the custody,  
29 preservation, use, or operation of the collateral are chargeable to  
30 the debtor and are secured by the collateral;

31 (2) The risk of accidental loss or damage is on the debtor to the  
32 extent of a deficiency in any effective insurance coverage;

33 (3) The secured party shall keep the collateral identifiable, but  
34 fungible collateral may be commingled; and

35 (4) The secured party may use or operate the collateral:

36 (A) For the purpose of preserving the collateral or its value;

37 (B) As permitted by an order of a court having competent  
38 jurisdiction; or

1 (C) Except in the case of consumer goods, in the manner and to  
2 the extent agreed by the debtor.

3 (c) **Duties and rights when secured party in possession or**  
4 **control.** Except as otherwise provided in subsection (d) of this  
5 section, a secured party having possession of collateral or control  
6 of collateral under RCW 62A.7-106, 62A.9A-104, 62A.9A-105,  
7 62A.9A-106, or 62A.9A-107 or section 904 or 905 of this act:

8 (1) May hold as additional security any proceeds, except money or  
9 funds, received from the collateral;

10 (2) Shall apply money or funds received from the collateral to  
11 reduce the secured obligation, unless remitted to the debtor; and

12 (3) May create a security interest in the collateral.

13 (d) **Buyer of certain rights to payment.** If the secured party is a  
14 buyer of accounts, chattel paper, payment intangibles, or promissory  
15 notes or a consignor:

16 (1) Subsection (a) of this section does not apply unless the  
17 secured party is entitled under an agreement:

18 (A) To charge back uncollected collateral; or

19 (B) Otherwise to full or limited recourse against the debtor or a  
20 secondary obligor based on the nonpayment or other default of an  
21 account debtor or other obligor on the collateral; and

22 (2) Subsections (b) and (c) of this section do not apply.

23 **Sec. 910.** RCW 62A.9A-208 and 2012 c 214 s 1505 are each amended  
24 to read as follows:

25 (a) **Applicability of section.** This section applies to cases in  
26 which there is no outstanding secured obligation and the secured  
27 party is not committed to make advances, incur obligations, or  
28 otherwise give value.

29 (b) **Duties of secured party after receiving demand from debtor.**  
30 Within ~~((ten))~~ 10 days after receiving ~~((an authenticated))~~ a signed  
31 demand by the debtor:

32 (1) A secured party having control of a deposit account under RCW  
33 62A.9A-104(a)(2) shall send to the bank with which the deposit  
34 account is maintained ~~((an authenticated statement))~~ a signed record  
35 that releases the bank from any further obligation to comply with  
36 instructions originated by the secured party;

37 (2) A secured party having control of a deposit account under RCW  
38 62A.9A-104(a)(3) shall:

1 (A) Pay the debtor the balance on deposit in the deposit account;

2 or

3 (B) Transfer the balance on deposit into a deposit account in the  
4 debtor's name;

5 (3) ~~((A secured party, other than a buyer, having control of  
6 electronic chattel paper under RCW 62A.9A-105 shall:~~

7 ~~(A) Communicate the authoritative copy of the electronic chattel  
8 paper to the debtor or its designated custodian;~~

9 ~~(B) If the debtor designates a custodian that is the designated  
10 custodian with which the authoritative copy of the electronic chattel  
11 paper is maintained for the secured party, communicate to the  
12 custodian an authenticated record releasing the designated custodian  
13 from any further obligation to comply with instructions originated by  
14 the secured party and instructing the custodian to comply with  
15 instructions originated by the debtor; and~~

16 ~~(C) Take appropriate action to enable the debtor or its  
17 designated custodian to make copies of or revisions to the  
18 authoritative copy which add or change an identified assignee of the  
19 authoritative copy without the consent of the secured party)) A  
20 secured party, other than a buyer, having control under RCW  
21 62A.9A-105 of an authoritative electronic copy of a record evidencing  
22 chattel paper shall transfer control of the electronic copy to the  
23 debtor or a person designated by the debtor;~~

24 (4) A secured party having control of investment property under  
25 RCW 62A.8-106(4) (b) or 62A.9A-106(b) shall send to the securities  
26 intermediary or commodity intermediary with which the security  
27 entitlement or commodity contract is maintained ~~((an authenticated))~~  
28 a signed record that releases the securities intermediary or  
29 commodity intermediary from any further obligation to comply with  
30 entitlement orders or directions originated by the secured party;

31 (5) A secured party having control of a letter-of-credit right  
32 under RCW 62A.9A-107 shall send to each person having an unfulfilled  
33 obligation to pay or deliver proceeds of the letter of credit to the  
34 secured party ~~((an authenticated))~~ a signed release from any further  
35 obligation to pay or deliver proceeds of the letter of credit to the  
36 secured party; ~~((and))~~

37 (6) ~~((A secured party having control of an electronic document  
38 shall:~~

39 ~~(A) Give control of the electronic document to the debtor or its  
40 designated custodian;~~

1 ~~(B) If the debtor designates a custodian that is the designated~~  
2 ~~custodian with which the authoritative copy of the electronic~~  
3 ~~document is maintained for the secured party, communicate to the~~  
4 ~~custodian an authenticated record releasing the designated custodian~~  
5 ~~from any further obligation to comply with instructions originated by~~  
6 ~~the secured party and instructing the custodian to comply with~~  
7 ~~instructions originated by the debtor; and~~

8 ~~(C) Take appropriate action to enable the debtor or its~~  
9 ~~designated custodian to make copies of or revisions to the~~  
10 ~~authoritative copy which add or change an identified assignee of the~~  
11 ~~authoritative copy without the consent of the secured party)) A~~  
12 ~~secured party having control under RCW 62A.7-106 of an authoritative~~  
13 ~~electronic copy of an electronic document of title shall transfer~~  
14 ~~control of the electronic copy to the debtor or a person designated~~  
15 ~~by the debtor;~~

16 (7) A secured party having control under section 904 of this act  
17 of electronic money shall transfer control of the electronic money to  
18 the debtor or a person designated by the debtor; and

19 (8) A secured party having control under section 1005 of this act  
20 of a controllable electronic record, other than a buyer of a  
21 controllable account or controllable payment intangible evidenced by  
22 the controllable electronic record, shall transfer control of the  
23 controllable electronic record to the debtor or a person designated  
24 by the debtor.

25 **Sec. 911.** RCW 62A.9A-209 and 2011 c 74 s 707 are each amended to  
26 read as follows:

27 (a) **Applicability of section.** Except as otherwise provided in  
28 subsection (c) of this section, this section applies if:

29 (1) There is no outstanding secured obligation; and

30 (2) The secured party is not committed to make advances, incur  
31 obligations, or otherwise give value.

32 (b) **Duties of secured party after receiving demand from debtor.**  
33 Within ~~((ten))~~ 10 days after receiving ~~((an authenticated))~~ a signed  
34 demand by the debtor, a secured party shall send to an account debtor  
35 that has received notification under RCW 62A.9A-406(a) or section  
36 1006(b) of this act of an assignment to the secured party as assignee  
37 ~~((under RCW 62A.9A-406(a) an authenticated))~~ a signed record that  
38 releases the account debtor from any further obligation to the  
39 secured party.

1 (c) **Inapplicability to sales.** This section does not apply to an  
2 assignment constituting the sale of an account, chattel paper, or  
3 payment intangible.

4 **Sec. 912.** RCW 62A.9A-210 and 2000 c 250 s 9A-210 are each  
5 amended to read as follows:

6 (a) **Definitions.** In this section:

7 (1) "Request" means a record of a type described in (2), (3), or  
8 (4) of this subsection.

9 (2) "Request for an accounting" means a record (~~authenticated~~)  
10 signed by a debtor requesting that the recipient provide an  
11 accounting of the unpaid obligations secured by collateral and  
12 reasonably identifying the transaction or relationship that is the  
13 subject of the request.

14 (3) "Request regarding a list of collateral" means a record  
15 (~~authenticated~~) signed by a debtor requesting that the recipient  
16 approve or correct a list of what the debtor believes to be the  
17 collateral securing an obligation and reasonably identifying the  
18 transaction or relationship that is the subject of the request.

19 (4) "Request regarding a statement of account" means a record  
20 (~~authenticated~~) signed by a debtor requesting that the recipient  
21 approve or correct a statement indicating what the debtor believes to  
22 be the aggregate amount of unpaid obligations secured by collateral  
23 as of a specified date and reasonably identifying the transaction or  
24 relationship that is the subject of the request.

25 (b) **Duty to respond to requests.** Subject to subsections (c), (d),  
26 (e), and (f) of this section, a secured party, other than a buyer of  
27 accounts, chattel paper, payment intangibles, or promissory notes or  
28 a consignor, shall comply with a request within fourteen days after  
29 receipt:

30 (1) In the case of a request for an accounting, by  
31 (~~authenticating~~) signing and sending to the debtor an accounting;  
32 and

33 (2) In the case of a request regarding a list of collateral or a  
34 request regarding a statement of account, by (~~authenticating~~)  
35 signing and sending to the debtor an approval or correction.

36 (c) **Request regarding list of collateral; statement concerning**  
37 **type of collateral.** A secured party that claims a security interest  
38 in all of a particular type of collateral owned by the debtor may  
39 comply with a request regarding a list of collateral by sending to

1 the debtor ((~~an authenticated~~)) a signed record including a statement  
2 to that effect within ((~~fourteen~~)) 14 days after receipt.

3 (d) **Request regarding list of collateral; no interest claimed.** A  
4 person that receives a request regarding a list of collateral, claims  
5 no interest in the collateral when it receives the request, and  
6 claimed an interest in the collateral at an earlier time shall comply  
7 with the request within ((~~fourteen~~)) 14 days after receipt by sending  
8 to the debtor ((~~an authenticated~~)) a signed record:

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

10 (2) If known to the recipient, providing the name and mailing  
11 address of any assignee of, or successor to, the recipient's interest  
12 in the collateral.

13 (e) **Request for accounting or regarding statement of account; no**  
14 **interest in obligation claimed.** A person that receives a request for  
15 an accounting or a request regarding a statement of account, claims  
16 no interest in the obligations when it receives the request, and  
17 claimed an interest in the obligations at an earlier time shall  
18 comply with the request within fourteen days after receipt by sending  
19 to the debtor ((~~an authenticated~~)) a signed record:

20 (1) Disclaiming any interest in the obligations; and

21 (2) If known to the recipient, providing the name and mailing  
22 address of any assignee of, or successor to, the recipient's interest  
23 in the obligations.

24 (f) **Charges for responses.** A debtor is entitled without charge to  
25 one response to a request under this section during any six-month  
26 period. The secured party may require payment of a charge not  
27 exceeding twenty-five dollars for each additional response.

28 **Sec. 913.** RCW 62A.9A-301 and 2012 c 214 s 1506 are each amended  
29 to read as follows:

30 Except as otherwise provided in RCW 62A.9A-303 through 62A.9A-306  
31 and section 917 of this act, the following rules determine the law  
32 governing perfection, the effect of perfection or nonperfection, and  
33 the priority of a security interest in collateral:

34 (1) Except as otherwise provided in this section, while a debtor  
35 is located in a jurisdiction, the local law of that jurisdiction  
36 governs perfection, the effect of perfection or nonperfection, and  
37 the priority of a security interest in collateral.

38 (2) While collateral is located in a jurisdiction, the local law  
39 of that jurisdiction governs perfection, the effect of perfection or

1 nonperfection, and the priority of a possessory security interest in  
2 that collateral.

3 (3) Except as otherwise provided in subsection (4) of this  
4 section, while (~~tangible~~) negotiable tangible documents, goods,  
5 instruments, or tangible money(~~(, or tangible chattel paper)~~) is  
6 located in a jurisdiction, the local law of that jurisdiction  
7 governs:

8 (A) Perfection of a security interest in the goods by filing a  
9 fixture filing;

10 (B) Perfection of a security interest in timber to be cut; and

11 (C) The effect of perfection or nonperfection and the priority of  
12 a nonpossessory security interest in the collateral.

13 (4) The local law of the jurisdiction in which the wellhead or  
14 minehead is located governs perfection, the effect of perfection or  
15 nonperfection, and the priority of a security interest in as-  
16 extracted collateral.

17 **Sec. 914.** RCW 62A.9A-304 and 2000 c 250 s 9A-304 are each  
18 amended to read as follows:

19 (a) **Law of bank's jurisdiction governs.** The local law of a bank's  
20 jurisdiction governs perfection, the effect of perfection or  
21 nonperfection, and the priority of a security interest in a deposit  
22 account maintained with that bank even if the transaction does not  
23 bear any relation to the bank's jurisdiction.

24 (b) **Bank's jurisdiction.** The following rules determine a bank's  
25 jurisdiction for purposes of this part:

26 (1) If an agreement between the bank and the debtor governing the  
27 deposit account expressly provides that a particular jurisdiction is  
28 the bank's jurisdiction for purposes of this part, this Article, or  
29 the Uniform Commercial Code, that jurisdiction is the bank's  
30 jurisdiction.

31 (2) If (1) of this subsection does not apply and an agreement  
32 between the bank and its customer governing the deposit account  
33 expressly provides that the agreement is governed by the law of a  
34 particular jurisdiction, that jurisdiction is the bank's  
35 jurisdiction.

36 (3) If neither (1) nor (2) of this subsection applies and an  
37 agreement between the bank and its customer governing the deposit  
38 account expressly provides that the deposit account is maintained at



1 an office in a particular jurisdiction, that jurisdiction is the  
2 bank's jurisdiction.

3 (4) If (1) through (3) of this subsection do not apply, the  
4 bank's jurisdiction is the jurisdiction in which the office  
5 identified in an account statement as the office serving the  
6 customer's account is located.

7 (5) If (1) through (4) of this subsection do not apply, the  
8 bank's jurisdiction is the jurisdiction in which the chief executive  
9 office of the bank is located.

10 **Sec. 915.** RCW 62A.9A-305 and 2001 c 32 s 23 are each amended to  
11 read as follows:

12 (a) **Governing law: General rules.** Except as otherwise provided in  
13 subsection (c) of this section, the following rules apply:

14 (1) While a security certificate is located in a jurisdiction,  
15 the local law of that jurisdiction governs perfection, the effect of  
16 perfection or nonperfection, and the priority of a security interest  
17 in the certificated security represented thereby.

18 (2) The local law of the issuer's jurisdiction as specified in  
19 RCW 62A.8-110(4) governs perfection, the effect of perfection or  
20 nonperfection, and the priority of a security interest in an  
21 uncertificated security.

22 (3) The local law of the securities intermediary's jurisdiction  
23 as specified in RCW 62A.8-110(5) governs perfection, the effect of  
24 perfection or nonperfection, and the priority of a security interest  
25 in a security entitlement or securities account.

26 (4) The local law of the commodity intermediary's jurisdiction  
27 governs perfection, the effect of perfection or nonperfection, and  
28 the priority of a security interest in a commodity contract or  
29 commodity account.

30 (5) (2), (3), and (4) of this subsection apply even if the  
31 transaction does not bear any relation to the jurisdiction.

32 (b) **Commodity intermediary's jurisdiction.** The following rules  
33 determine a commodity intermediary's jurisdiction for purposes of  
34 this part:

35 (1) If an agreement between the commodity intermediary and  
36 commodity customer governing the commodity account expressly provides  
37 that a particular jurisdiction is the commodity intermediary's  
38 jurisdiction for purposes of this part, this Article, or the Uniform

1 Commercial Code, that jurisdiction is the commodity intermediary's  
2 jurisdiction.

3 (2) If (1) of this subsection does not apply and an agreement  
4 between the commodity intermediary and commodity customer governing  
5 the commodity account expressly provides that the agreement is  
6 governed by the law of a particular jurisdiction, that jurisdiction  
7 is the commodity intermediary's jurisdiction.

8 (3) If neither (1) nor (2) of this subsection applies and an  
9 agreement between the commodity intermediary and commodity customer  
10 governing the commodity account expressly provides that the commodity  
11 account is maintained at an office in a particular jurisdiction, that  
12 jurisdiction is the commodity intermediary's jurisdiction.

13 (4) If (1) through (3) of this subsection do not apply, the  
14 commodity intermediary's jurisdiction is the jurisdiction in which  
15 the office identified in an account statement as the office serving  
16 the commodity customer's account is located.

17 (5) If (1) through (4) of this subsection do not apply, the  
18 commodity intermediary's jurisdiction is the jurisdiction in which  
19 the chief executive office of the commodity intermediary is located.

20 (c) **When perfection governed by law of jurisdiction where debtor**  
21 **located.** The local law of the jurisdiction in which the debtor is  
22 located governs:

23 (1) Perfection of a security interest in investment property by  
24 filing;

25 (2) Automatic perfection of a security interest in investment  
26 property created by a broker or securities intermediary; and

27 (3) Automatic perfection of a security interest in a commodity  
28 contract or commodity account created by a commodity intermediary.

29 NEW SECTION. **Sec. 916.** A new section is added to chapter 62A.9A  
30 RCW to read as follows:

31 SECTION 9-306A: LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY  
32 INTERESTS IN CHATTEL PAPER. (a) **Chattel paper evidenced by**  
33 **authoritative electronic copy.** Except as provided in subsection (d)  
34 of this section, if chattel paper is evidenced only by an  
35 authoritative electronic copy of the chattel paper or is evidenced by  
36 an authoritative electronic copy and an authoritative tangible copy,  
37 the local law of the chattel paper's jurisdiction governs perfection,  
38 the effect of perfection or nonperfection, and the priority of a

1 security interest in the chattel paper, even if the transaction does  
2 not bear any relation to the chattel paper's jurisdiction.

3 (b) **Chattel paper's jurisdiction.** The following rules determine  
4 the chattel paper's jurisdiction under this section:

5 (1) If the authoritative electronic copy of the record evidencing  
6 chattel paper, or a record attached to or logically associated with  
7 the electronic copy and readily available for review, expressly  
8 provides that a particular jurisdiction is the chattel paper's  
9 jurisdiction for purposes of this part, this Article, or this title,  
10 that jurisdiction is the chattel paper's jurisdiction.

11 (2) If (1) of this subsection does not apply and the rules of the  
12 system in which the authoritative electronic copy is recorded are  
13 readily available for review and expressly provide that a particular  
14 jurisdiction is the chattel paper's jurisdiction for purposes of this  
15 part, this Article, or this title, that jurisdiction is the chattel  
16 paper's jurisdiction.

17 (3) If (1) and (2) of this subsection do not apply and the  
18 authoritative electronic copy, or a record attached to or logically  
19 associated with the electronic copy and readily available for review,  
20 expressly provides that the chattel paper is governed by the law of a  
21 particular jurisdiction, that jurisdiction is the chattel paper's  
22 jurisdiction.

23 (4) If (1), (2), and (3) of this subsection do not apply and the  
24 rules of the system in which the authoritative electronic copy is  
25 recorded are readily available for review and expressly provide that  
26 the chattel paper or the system is governed by the law of a  
27 particular jurisdiction, that jurisdiction is the chattel paper's  
28 jurisdiction.

29 (5) If (1) through (4) of this subsection do not apply, the  
30 chattel paper's jurisdiction is the jurisdiction in which the debtor  
31 is located.

32 (c) **Chattel paper evidenced by authoritative tangible copy.** If an  
33 authoritative tangible copy of a record evidences chattel paper and  
34 the chattel paper is not evidenced by an authoritative electronic  
35 copy, while the authoritative tangible copy of the record evidencing  
36 chattel paper is located in a jurisdiction, the local law of that  
37 jurisdiction governs:

38 (1) Perfection of a security interest in the chattel paper by  
39 possession under section 922 of this act; and

1 (2) The effect of perfection or nonperfection and the priority of  
2 a security interest in the chattel paper.

3 (d) **When perfection governed by law of jurisdiction where debtor**  
4 **located.** The local law of the jurisdiction in which the debtor is  
5 located governs perfection of a security interest in chattel paper by  
6 filing.

7 NEW SECTION. **Sec. 917.** A new section is added to chapter 62A.9A  
8 RCW to read as follows:

9 SECTION 9-306B: LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY  
10 INTERESTS IN CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS,  
11 AND CONTROLLABLE PAYMENT INTANGIBLES. (a) **Governing law: General**  
12 **rules.** Except as provided in subsection (b) of this section, the  
13 local law of the controllable electronic record's jurisdiction  
14 specified in section 1007 (c) and (d) of this act governs perfection,  
15 the effect of perfection or nonperfection, and the priority of a  
16 security interest in a controllable electronic record and a security  
17 interest in a controllable account or controllable payment intangible  
18 evidenced by the controllable electronic record.

19 (b) **When perfection governed by law of jurisdiction where debtor**  
20 **located.** The local law of the jurisdiction in which the debtor is  
21 located governs:

22 (1) Perfection of a security interest in a controllable account,  
23 controllable electronic record, or controllable payment intangible by  
24 filing; and

25 (2) Automatic perfection of a security interest in a controllable  
26 payment intangible created by a sale of the controllable payment  
27 intangible.

28 **Sec. 918.** RCW 62A.9A-310 and 2012 c 214 s 1508 are each amended  
29 to read as follows:

30 (a) **General rule: Perfection by filing.** Except as otherwise  
31 provided in subsections (b) and (d) of this section and RCW  
32 62A.9A-312(b), a financing statement must be filed to perfect all  
33 security interests and agricultural liens.

34 (b) **Exceptions: Filing not necessary.** The filing of a financing  
35 statement is not necessary to perfect a security interest:

- 36 (1) That is perfected under RCW 62A.9A-308 (d), (e), (f), or (g);  
37 (2) That is perfected under RCW 62A.9A-309 when it attaches;

1 (3) In property subject to a statute, regulation, or treaty  
2 described in RCW 62A.9A-311(a);

3 (4) In goods in possession of a bailee which is perfected under  
4 RCW 62A.9A-312(d) (1) or (2);

5 (5) In certificated securities, documents, goods, or instruments  
6 which is perfected without filing, control, or possession under RCW  
7 62A.9A-312 (e), (f), or (g);

8 (6) In collateral in the secured party's possession under RCW  
9 62A.9A-313;

10 (7) In a certificated security which is perfected by delivery of  
11 the security certificate to the secured party under RCW 62A.9A-313;

12 (8) In controllable accounts, controllable electronic records,  
13 controllable payment intangibles, deposit accounts, ((~~electronic~~  
14 ~~chattel paper,~~) electronic documents, investment property, or  
15 letter-of-credit rights which is perfected by control under RCW  
16 62A.9A-314;

17 (8.1) In chattel paper which is perfected by possession and  
18 control under section 922 of this act;

19 (9) In proceeds which is perfected under RCW 62A.9A-315; or

20 (10) That is perfected under RCW 62A.9A-316.

21 (c) **Assignment of perfected security interest.** If a secured party  
22 assigns a perfected security interest or agricultural lien, a filing  
23 under this Article is not required to continue the perfected status  
24 of the security interest against creditors of and transferees from  
25 the original debtor.

26 (d) **Further exception: Filing not necessary for handler's lien.**  
27 The filing of a financing statement is not necessary to perfect the  
28 agricultural lien of a handler on orchard crops as provided in RCW  
29 60.11.020(3).

30 **Sec. 919.** RCW 62A.9A-312 and 2012 c 214 s 1509 are each amended  
31 to read as follows:

32 (a) **Perfection by filing permitted.** A security interest in  
33 chattel paper, ((~~negotiable documents,~~) controllable accounts,  
34 controllable electronic records, controllable payment intangibles,  
35 instruments, ((~~or~~)) investment property, or negotiable documents may  
36 be perfected by filing.

37 (b) **Control or possession of certain collateral.** Except as  
38 otherwise provided in RCW 62A.9A-315 (c) and (d) for proceeds:

1 (1) A security interest in a deposit account may be perfected  
2 only by control under RCW 62A.9A-314;

3 (2) And except as otherwise provided in RCW 62A.9A-308(d), a  
4 security interest in a letter-of-credit right may be perfected only  
5 by control under RCW 62A.9A-314; (~~and~~)

6 (3) A security interest in tangible money may be perfected only  
7 by the secured party's taking possession under RCW 62A.9A-313; and

8 (4) A security interest in electronic money may be perfected only  
9 by control under RCW 62A.9A-314.

10 (c) **Goods covered by negotiable document.** While goods are in the  
11 possession of a bailee that has issued a negotiable document covering  
12 the goods:

13 (1) A security interest in the goods may be perfected by  
14 perfecting a security interest in the document; and

15 (2) A security interest perfected in the document has priority  
16 over any security interest that becomes perfected in the goods by  
17 another method during that time.

18 (d) **Goods covered by nonnegotiable document.** While goods are in  
19 the possession of a bailee that has issued a nonnegotiable document  
20 covering the goods, a security interest in the goods may be perfected  
21 by:

22 (1) Issuance of a document in the name of the secured party;

23 (2) The bailee's receipt of notification of the secured party's  
24 interest; or

25 (3) Filing as to the goods.

26 (e) **Temporary perfection: New value.** A security interest in  
27 certificated securities, negotiable documents, or instruments is  
28 perfected without filing or the taking of possession or control for a  
29 period of twenty days from the time it attaches to the extent that it  
30 arises for new value given under (~~an authenticated~~) a signed  
31 security agreement.

32 (f) **Temporary perfection: Goods or documents made available to**  
33 **debtor.** A perfected security interest in a negotiable document or  
34 goods in possession of a bailee, other than one that has issued a  
35 negotiable document for the goods, remains perfected for twenty days  
36 without filing if the secured party makes available to the debtor the  
37 goods or documents representing the goods for the purpose of:

38 (1) Ultimate sale or exchange; or

1 (2) Loading, unloading, storing, shipping, transshipping,  
2 manufacturing, processing, or otherwise dealing with them in a manner  
3 preliminary to their sale or exchange.

4 (g) **Temporary perfection: Delivery of security certificate or**  
5 **instrument to debtor.** A perfected security interest in a certificated  
6 security or instrument remains perfected for twenty days without  
7 filing if the secured party delivers the security certificate or  
8 instrument to the debtor for the purpose of:

9 (1) Ultimate sale or exchange; or

10 (2) Presentation, collection, enforcement, renewal, or  
11 registration of transfer.

12 (h) **Expiration of temporary perfection.** After the twenty-day  
13 period specified in subsection (e), (f), or (g) of this section  
14 expires, perfection depends upon compliance with this Article.

15 **Sec. 920.** RCW 62A.9A-313 and 2012 c 214 s 1511 are each amended  
16 to read as follows:

17 (a) **Perfection by possession or delivery.** Except as otherwise  
18 provided in subsection (b) of this section, a secured party may  
19 perfect a security interest in (~~tangible negotiable documents,~~)  
20 goods, instruments, negotiable tangible documents, or tangible  
21 money(~~(, or tangible chattel paper)~~) by taking possession of the  
22 collateral. A secured party may perfect a security interest in  
23 certificated securities by taking delivery of the certificated  
24 securities under RCW 62A.8-301.

25 (b) **Goods covered by certificate of title.** With respect to goods  
26 covered by a certificate of title issued by this state, a secured  
27 party may perfect a security interest in the goods by taking  
28 possession of the goods only in the circumstances described in RCW  
29 62A.9A-316(d).

30 (c) **Collateral in possession of person other than debtor.** With  
31 respect to collateral other than certificated securities and goods  
32 covered by a document, a secured party takes possession of collateral  
33 in the possession of a person other than the debtor, the secured  
34 party, or a lessee of the collateral from the debtor in the ordinary  
35 course of the debtor's business, when:

36 (1) The person in possession (~~(authenticates)~~) signs a record  
37 acknowledging that it holds possession of the collateral for the  
38 secured party's benefit; or

1 (2) The person takes possession of the collateral after having  
2 ((authenticated)) signed a record acknowledging that it will hold  
3 possession of the collateral for the secured party's benefit.

4 (d) **Time of perfection by possession; continuation of perfection.**  
5 If perfection of a security interest depends upon possession of the  
6 collateral by a secured party, perfection occurs ((~~ne~~)) not earlier  
7 than the time the secured party takes possession and continues only  
8 while the secured party retains possession.

9 (e) **Time of perfection by delivery; continuation of perfection.** A  
10 security interest in a certificated security in registered form is  
11 perfected by delivery when delivery of the certificated security  
12 occurs under RCW 62A.8-301 and remains perfected by delivery until  
13 the debtor obtains possession of the security certificate.

14 (f) **Acknowledgment not required.** A person in possession of  
15 collateral is not required to acknowledge that it holds possession  
16 for a secured party's benefit.

17 (g) **Effectiveness of acknowledgment; no duties or confirmation.**  
18 If a person acknowledges that it holds possession for the secured  
19 party's benefit:

20 (1) The acknowledgment is effective under subsection (c) of this  
21 section or RCW 62A.8-301(1), even if the acknowledgment violates the  
22 rights of a debtor; and

23 (2) Unless the person otherwise agrees or law other than this  
24 Article otherwise provides, the person does not owe any duty to the  
25 secured party and is not required to confirm the acknowledgment to  
26 another person.

27 (h) **Secured party's delivery to person other than debtor.** A  
28 secured party having possession of collateral does not relinquish  
29 possession by delivering the collateral to a person other than the  
30 debtor or a lessee of the collateral from the debtor in the ordinary  
31 course of the debtor's business if the person was instructed before  
32 the delivery or is instructed contemporaneously with the delivery:

33 (1) To hold possession of the collateral for the secured party's  
34 benefit; or

35 (2) To redeliver the collateral to the secured party.

36 (i) **Effect of delivery under subsection (h) of this section; no**  
37 **duties or confirmation.** A secured party does not relinquish  
38 possession, even if a delivery under subsection (h) of this section  
39 violates the rights of a debtor. A person to which collateral is  
40 delivered under subsection (h) of this section does not owe any duty



1 to the secured party and is not required to confirm the delivery to  
2 another person unless the person otherwise agrees or law other than  
3 this Article otherwise provides.

4 **Sec. 921.** RCW 62A.9A-314 and 2012 c 214 s 1512 are each amended  
5 to read as follows:

6 (a) **Perfection by control.** A security interest in (~~investment~~  
7 ~~property, deposit accounts, letter-of-credit rights, electronic~~  
8 ~~chattel paper, or electronic documents~~) controllable accounts,  
9 controllable electronic records, controllable payment intangibles,  
10 deposit accounts, electronic documents, electronic money, investment  
11 property, or letter-of-credit rights may be perfected by control of  
12 the collateral under RCW 62A.7-106, 62A.9A-104, (~~(62A.9A-105,)~~)  
13 62A.9A-106, or 62A.9A-107 or section 904 or 905 of this act.

14 (b) **Specified collateral: Time of perfection by control;**  
15 **continuation of perfection.** A security interest in (~~deposit~~  
16 ~~accounts, electronic chattel paper, letter-of-credit rights, or~~  
17 ~~electronic documents~~) controllable accounts, controllable electronic  
18 records, controllable payment intangibles, deposit accounts,  
19 electronic documents, electronic money, or letter-of-credit rights is  
20 perfected by control under RCW 62A.7-106, 62A.9A-104, (~~(62A.9A-105,)~~)  
21 or 62A.9A-107 or section 904 or 905 of this act not earlier than the  
22 time when the secured party obtains control and remains perfected by  
23 control only while the secured party retains control.

24 (c) **Investment property: Time of perfection by control;**  
25 **continuation of perfection.** A security interest in investment  
26 property is perfected by control under RCW 62A.9A-106 (~~(from)~~) not  
27 earlier than the time the secured party obtains control and remains  
28 perfected by control until:

- 29 (1) The secured party does not have control; and  
30 (2) One of the following occurs:  
31 (A) If the collateral is a certificated security, the debtor has  
32 or acquires possession of the security certificate;  
33 (B) If the collateral is an uncertificated security, the issuer  
34 has registered or registers the debtor as the registered owner; or  
35 (C) If the collateral is a security entitlement, the debtor is or  
36 becomes the entitlement holder.

37 NEW SECTION. **Sec. 922.** A new section is added to chapter 62A.9A  
38 RCW to read as follows:

1 SECTION 9-314A: PERFECTION BY POSSESSION AND CONTROL OF CHATTEL  
2 PAPER. (a) **Perfection by possession and control.** A secured party may  
3 perfect a security interest in chattel paper by taking possession of  
4 each authoritative tangible copy of the record evidencing the chattel  
5 paper and obtaining control of each authoritative electronic copy of  
6 the electronic record evidencing the chattel paper.

7 (b) **Time of perfection; continuation of perfection.** A security  
8 interest is perfected under subsection (a) of this section not  
9 earlier than the time the secured party takes possession and obtains  
10 control and remains perfected under subsection (a) of this section  
11 only while the secured party retains possession and control.

12 (c) **Application of RCW 62A.9A-313 to perfection by possession of**  
13 **chattel paper.** RCW 62A.9A-313 (c) and (f) through (i) applies to  
14 perfection by possession of an authoritative tangible copy of a  
15 record evidencing chattel paper.

16 **Sec. 923.** RCW 62A.9A-316 and 2011 c 74 s 203 are each amended to  
17 read as follows:

18 (a) **General rule: Effect on perfection of change in governing**  
19 **law.** A security interest perfected pursuant to the law of the  
20 jurisdiction designated in RCW 62A.9A-301(1) or 62A.9A-305(c) or  
21 section 916 or 917 of this act remains perfected until the earliest  
22 of:

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

25 (2) The expiration of four months after a change of the debtor's  
26 location to another jurisdiction; or

27 (3) The expiration of one year after a transfer of collateral to  
28 a person that thereby becomes a debtor and is located in another  
29 jurisdiction.

30 (b) **Security interest perfected or unperfected under law of new**  
31 **jurisdiction.** If a security interest described in subsection (a) of  
32 this section becomes perfected under the law of the other  
33 jurisdiction before the earliest time or event described in  
34 subsection (a) of this section, it remains perfected thereafter. If  
35 the security interest does not become perfected under the law of the  
36 other jurisdiction before the earliest time or event, it becomes  
37 unperfected and is deemed never to have been perfected as against a  
38 purchaser of the collateral for value.

1 (c) **Possessory security interest in collateral moved to new**  
2 **jurisdiction.** A possessory security interest in collateral, other  
3 than goods covered by a certificate of title and as-extracted  
4 collateral consisting of goods, remains continuously perfected if:

5 (1) The collateral is located in one jurisdiction and subject to  
6 a security interest perfected under the law of that jurisdiction;

7 (2) Thereafter the collateral is brought into another  
8 jurisdiction; and

9 (3) Upon entry into the other jurisdiction, the security interest  
10 is perfected under the law of the other jurisdiction.

11 (d) **Goods covered by certificate of title from this state.** Except  
12 as otherwise provided in subsection (e) of this section, a security  
13 interest in goods covered by a certificate of title which is  
14 perfected by any method under the law of another jurisdiction when  
15 the goods become covered by a certificate of title from this state  
16 remains perfected until the security interest would have become  
17 unperfected under the law of the other jurisdiction had the goods not  
18 become so covered.

19 (e) **When subsection (d) security interest becomes unperfected**  
20 **against purchasers.** A security interest described in subsection (d)  
21 of this section becomes unperfected as against a purchaser of the  
22 goods for value and is deemed never to have been perfected as against  
23 a purchaser of the goods for value if the applicable requirements for  
24 perfection under RCW 62A.9A-311(b) or 62A.9A-313 are not satisfied  
25 before the earlier of:

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

29 (2) The expiration of four months after the goods had become so  
30 covered.

31 (f) **Change in jurisdiction of chattel paper, controllable**  
32 **electronic record, bank, issuer, nominated person, securities**  
33 **intermediary, or commodity intermediary.** A security interest in  
34 chattel paper, controllable accounts, controllable electronic  
35 records, controllable payment intangibles, deposit accounts, letter-  
36 of-credit rights, or investment property which is perfected under the  
37 law of the chattel paper's jurisdiction, the controllable electronic  
38 record's jurisdiction, the bank's jurisdiction, the issuer's  
39 jurisdiction, a nominated person's jurisdiction, the securities

1 intermediary's jurisdiction, or the commodity intermediary's  
2 jurisdiction, as applicable, remains perfected until the earlier of:

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

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

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

17 (h) **Effect on filed financing statement of change in governing**  
18 **law.** The following rules apply to collateral to which a security  
19 interest attaches within four months after the debtor changes its  
20 location to another jurisdiction:

21 (1) A financing statement filed before the change pursuant to the  
22 law of the jurisdiction designated in RCW 62A.9A-301(1) or  
23 62A.9A-305(c) is effective to perfect a security interest in the  
24 collateral if the financing statement would have been effective to  
25 perfect a security interest in the collateral had the debtor not  
26 changed its location.

27 (2) If a security interest perfected by a financing statement  
28 that is effective under (1) of this subsection (h) becomes perfected  
29 under the law of the other jurisdiction before the earlier of the  
30 time the financing statement would have become ineffective under the  
31 law of the jurisdiction designated in RCW 62A.9A-301(1) or  
32 62A.9A-305(c) or the expiration of the four-month period, it remains  
33 perfected thereafter. If the security interest does not become  
34 perfected under the law of the other jurisdiction before the earlier  
35 time or event, it becomes unperfected and is deemed never to have  
36 been perfected as against a purchaser of the collateral for value.

37 (i) **Effect of change in governing law on financing statement**  
38 **filed against original debtor.** If a financing statement naming an  
39 original debtor is filed pursuant to the law of the jurisdiction

1 designated in RCW 62A.9A-301(1) or 62A.9A-305(c) and the new debtor  
2 is located in another jurisdiction, the following rules apply:

3 (1) The financing statement is effective to perfect a security  
4 interest in collateral acquired by the new debtor before, and within  
5 four months after, the new debtor becomes bound under RCW  
6 62A.9A-203(d), if the financing statement would have been effective  
7 to perfect a security interest in the collateral had the collateral  
8 been acquired by the original debtor.

9 (2) A security interest perfected by the financing statement and  
10 which becomes perfected under the law of the other jurisdiction  
11 before the earlier of the time the financing statement would have  
12 become ineffective under the law of the jurisdiction designated in  
13 RCW 62A.9A-301(1) or 62A.9A-305(c) or the expiration of the four-  
14 month period remains perfected thereafter. A security interest that  
15 is perfected by the financing statement but which does not become  
16 perfected under the law of the other jurisdiction before the earlier  
17 time or event becomes unperfected and is deemed never to have been  
18 perfected as against a purchaser of the collateral for value.

19 **Sec. 924.** RCW 62A.9A-317 and 2012 c 214 s 1514 are each amended  
20 to read as follows:

21 (a) **Conflicting security interests and rights of lien creditors.**  
22 A security interest or agricultural lien is subordinate to the rights  
23 of:

24 (1) A person entitled to priority under RCW 62A.9A-322; and  
25 (2) Except as otherwise provided in subsection (e) of this  
26 section, a person that becomes a lien creditor before the earlier of  
27 the time:

28 (A) The security interest or agricultural lien is perfected; or  
29 (B) One of the conditions specified in RCW 62A.9A-203(b)(3) is  
30 met and a financing statement covering the collateral is filed.

31 (b) **Buyers that receive delivery.** Except as otherwise provided in  
32 subsection (e) of this section, a buyer, other than a secured party,  
33 of (~~tangible chattel paper, tangible documents,~~) goods,  
34 instruments, tangible documents, or a certificated security takes  
35 free of a security interest or agricultural lien if the buyer gives  
36 value and receives delivery of the collateral without knowledge of  
37 the security interest or agricultural lien and before it is  
38 perfected.

1 (c) **Lessees that receive delivery.** Except as otherwise provided  
2 in subsection (e) of this section, a lessee of goods takes free of a  
3 security interest or agricultural lien if the lessee gives value and  
4 receives delivery of the collateral without knowledge of the security  
5 interest or agricultural lien and before it is perfected.

6 (d) **Licensees and buyers of certain collateral.** ((A)) Subject to  
7 subsections (f) through (i) of this section, a licensee of a general  
8 intangible or a buyer, other than a secured party, of collateral  
9 other than ((~~tangible chattel paper, tangible documents,~~)) electronic  
10 money, goods, instruments, tangible documents, or a certificated  
11 security takes free of a security interest if the licensee or buyer  
12 gives value without knowledge of the security interest and before it  
13 is perfected.

14 (e) **Purchase-money security interest.** Except as otherwise  
15 provided in RCW 62A.9A-320 and 62A.9A-321, if a person files a  
16 financing statement with respect to a purchase-money security  
17 interest before or within twenty days after the debtor receives  
18 delivery of the collateral, the security interest takes priority over  
19 the rights of a buyer, lessee, or lien creditor which arise between  
20 the time the security interest attaches and the time of filing.

21 (f) **Buyers of chattel paper.** A buyer, other than a secured party,  
22 of chattel paper takes free of a security interest if, without  
23 knowledge of the security interest and before it is perfected, the  
24 buyer gives value and:

25 (1) Receives delivery of each authoritative tangible copy of the  
26 record evidencing the chattel paper; and

27 (2) If each authoritative electronic copy of the record  
28 evidencing the chattel paper can be subjected to control under RCW  
29 62A.9A-105, obtains control of each authoritative electronic copy.

30 (g) **Buyers of electronic documents.** A buyer of an electronic  
31 document takes free of a security interest if, without knowledge of  
32 the security interest and before it is perfected, the buyer gives  
33 value and, if each authoritative electronic copy of the document can  
34 be subjected to control under RCW 62A.7-106, obtains control of each  
35 authoritative electronic copy.

36 (h) **Buyers of controllable electronic records.** A buyer of a  
37 controllable electronic record takes free of a security interest if,  
38 without knowledge of the security interest and before it is  
39 perfected, the buyer gives value and obtains control of the  
40 controllable electronic record.

1 (i) **Buyers of controllable accounts and controllable payment**  
2 **intangibles.** A buyer, other than a secured party, of a controllable  
3 account or a controllable payment intangible takes free of a security  
4 interest if, without knowledge of the security interest and before it  
5 is perfected, the buyer gives value and obtains control of the  
6 controllable account or controllable payment intangible.

7 **Sec. 925.** RCW 62A.9A-323 and 2000 c 250 s 9A-323 are each  
8 amended to read as follows:

9 (a) **When priority based on time of advance.** Except as otherwise  
10 provided in subsection (c) of this section, for purposes of  
11 determining the priority of a perfected security interest under RCW  
12 62A.9A-322(a)(1), perfection of the security interest dates from the  
13 time an advance is made to the extent that the security interest  
14 secures an advance that:

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

16 (A) Under RCW 62A.9A-309 when it attaches; or

17 (B) Temporarily under RCW 62A.9A-312 (e), (f), or (g); and

18 (2) Is not made pursuant to a commitment entered into before or  
19 while the security interest is perfected by a method other than under  
20 RCW 62A.9A-309 or 62A.9A-312 (e), (f), or (g).

21 (b) **Lien creditor.** Except as otherwise provided in subsection (c)  
22 of this section, a security interest is subordinate to the rights of  
23 a person that becomes a lien creditor to the extent that the security  
24 interest secures an advance made more than forty-five days after the  
25 person becomes a lien creditor unless the advance is made:

26 (1) Without knowledge of the lien; or

27 (2) Pursuant to a commitment entered into without knowledge of  
28 the lien.

29 (c) **Buyer of receivables.** Subsections (a) and (b) of this section  
30 do not apply to a security interest held by a secured party that is a  
31 buyer of accounts, chattel paper, payment intangibles, or promissory  
32 notes or a consignor.

33 (d) **Buyer of goods.** Except as otherwise provided in subsection  
34 (e) of this section, a buyer of goods (~~other than a buyer in~~  
35 ~~ordinary course of business~~) takes free of a security interest to  
36 the extent that it secures advances made after the earlier of:

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

39 (2) Forty-five days after the purchase.

1 (e) **Advances made pursuant to commitment: Priority of buyer of**  
2 **goods.** Subsection (d) of this section does not apply if the advance  
3 is made pursuant to a commitment entered into without knowledge of  
4 the buyer's purchase and before the expiration of the forty-five day  
5 period.

6 (f) **Lessee of goods.** Except as otherwise provided in subsection  
7 (g) of this section, a lessee of goods(~~(, other than a lessee in~~  
8 ~~ordinary course of business,)~~) takes the leasehold interest free of a  
9 security interest to the extent that it secures advances made after  
10 the earlier of:

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

13 (2) Forty-five days after the lease contract becomes enforceable.

14 (g) **Advances made pursuant to commitment: Priority of lessee of**  
15 **goods.** Subsection (f) of this section does not apply if the advance  
16 is made pursuant to a commitment entered into without knowledge of  
17 the lease and before the expiration of the forty-five day period.

18 **Sec. 926.** RCW 62A.9A-324 and 2000 c 250 s 9A-324 are each  
19 amended to read as follows:

20 (a) **General rule: Purchase-money priority.** Except as otherwise  
21 provided in subsection (g) of this section, a perfected purchase-  
22 money security interest in goods other than inventory or livestock  
23 has priority over a conflicting security interest in the same goods,  
24 and, except as otherwise provided in RCW 62A.9A-327, a perfected  
25 security interest in its identifiable proceeds also has priority, if  
26 the purchase-money security interest is perfected when the debtor  
27 receives possession of the collateral or within twenty days  
28 thereafter.

29 (b) **Inventory purchase-money priority.** Subject to subsection (c)  
30 of this section and except as otherwise provided in subsection (g) of  
31 this section, a perfected purchase-money security interest in  
32 inventory has priority over a conflicting security interest in the  
33 same inventory, has priority over a conflicting security interest in  
34 chattel paper or an instrument constituting proceeds of the inventory  
35 and in proceeds of the chattel paper, if so provided in RCW  
36 62A.9A-330, and, except as otherwise provided in RCW 62A.9A-327, also  
37 has priority in identifiable cash proceeds of the inventory to the  
38 extent the identifiable cash proceeds are received on or before the  
39 delivery of the inventory to a buyer, if:



1 (1) The purchase-money security interest is perfected when the  
2 debtor receives possession of the inventory;

3 (2) The purchase-money secured party sends ((an-authenticated)) a  
4 signed notification to the holder of the conflicting security  
5 interest;

6 (3) The holder of the conflicting security interest receives the  
7 notification within five years before the debtor receives possession  
8 of the inventory; and

9 (4) The notification states that the person sending the  
10 notification has or expects to acquire a purchase-money security  
11 interest in inventory of the debtor and describes the inventory.

12 (c) **Holders of conflicting inventory security interests to be**  
13 **notified.** Subsections (b)(2) through (4) of this section apply only  
14 if the holder of the conflicting security interest had filed a  
15 financing statement covering the same types of inventory:

16 (1) If the purchase-money security interest is perfected by  
17 filing, before the date of the filing; or

18 (2) If the purchase-money security interest is temporarily  
19 perfected without filing or possession under RCW 62A.9A-312(f),  
20 before the beginning of the twenty-day period thereunder.

21 (d) **Livestock purchase-money priority.** Subject to subsection (e)  
22 of this section and except as otherwise provided in subsection (g) of  
23 this section, a perfected purchase-money security interest in  
24 livestock that are farm products has priority over a conflicting  
25 security interest in the same livestock, and, except as otherwise  
26 provided in RCW 62A.9A-327, a perfected security interest in their  
27 identifiable proceeds and identifiable products in their  
28 unmanufactured states also has priority, if:

29 (1) The purchase-money security interest is perfected when the  
30 debtor receives possession of the livestock;

31 (2) The purchase-money secured party sends ((an-authenticated)) a  
32 signed notification to the holder of the conflicting security  
33 interest;

34 (3) The holder of the conflicting security interest receives the  
35 notification within six months before the debtor receives possession  
36 of the livestock; and

37 (4) The notification states that the person sending the  
38 notification has or expects to acquire a purchase-money security  
39 interest in livestock of the debtor and describes the livestock.

1 (e) **Holders of conflicting livestock security interests to be**  
2 **notified.** Subsections (d)(2) through (4) of this section apply only  
3 if the holder of the conflicting security interest had filed a  
4 financing statement covering the same types of livestock:

5 (1) If the purchase-money security interest is perfected by  
6 filing, before the date of the filing; or

7 (2) If the purchase-money security interest is temporarily  
8 perfected without filing or possession under RCW 62A.9A-312(f),  
9 before the beginning of the twenty-day period thereunder.

10 (f) **Software purchase-money priority.** Except as otherwise  
11 provided in subsection (g) of this section, a perfected purchase-  
12 money security interest in software has priority over a conflicting  
13 security interest in the same collateral, and, except as otherwise  
14 provided in RCW 62A.9A-327, a perfected security interest in its  
15 identifiable proceeds also has priority, to the extent that the  
16 purchase-money security interest in the goods in which the software  
17 was acquired for use has priority in the goods and proceeds of the  
18 goods under this section.

19 (g) **Conflicting purchase-money security interests.** If more than  
20 one security interest qualifies for priority in the same collateral  
21 under subsection (a), (b), (d), or (f) of this section:

22 (1) A security interest securing an obligation incurred as all or  
23 part of the price of the collateral has priority over a security  
24 interest securing an obligation incurred for value given to enable  
25 the debtor to acquire rights in or the use of collateral; and

26 (2) In all other cases, RCW 62A.9A-322(a) applies to the  
27 qualifying security interests.

28 NEW SECTION. **Sec. 927.** A new section is added to chapter 62A.9A  
29 RCW to read as follows:

30 SECTION 9-326A: PRIORITY OF SECURITY INTEREST IN CONTROLLABLE  
31 ACCOUNT, CONTROLLABLE ELECTRONIC RECORD, AND CONTROLLABLE PAYMENT  
32 INTANGIBLE. A security interest in a controllable account,  
33 controllable electronic record, or controllable payment intangible  
34 held by a secured party having control of the account, electronic  
35 record, or payment intangible has priority over a conflicting  
36 security interest held by a secured party that does not have control.

37 **Sec. 928.** RCW 62A.9A-330 and 2000 c 250 s 9A-330 are each  
38 amended to read as follows:

1 (a) **Purchaser's priority: Security interest claimed merely as**  
2 **proceeds.** A purchaser of chattel paper has priority over a security  
3 interest in the chattel paper which is claimed merely as proceeds of  
4 inventory subject to a security interest if:

5 (1) In good faith and in the ordinary course of the purchaser's  
6 business, the purchaser gives new value ~~((and))~~, takes possession of  
7 each authoritative tangible copy of the record evidencing the chattel  
8 paper ~~((or))~~, and obtains control ~~((or))~~ under RCW 62A.9A-105 of each  
9 authoritative electronic copy of the record evidencing the chattel  
10 paper ~~((under RCW 62A.9A-105))~~; and

11 (2) The ~~((chattel paper does))~~ authoritative copies of the record  
12 evidencing the chattel paper do not indicate that ~~((it))~~ the chattel  
13 paper has been assigned to an identified assignee other than the  
14 purchaser.

15 (b) **Purchaser's priority: Other security interests.** A purchaser  
16 of chattel paper has priority over a security interest in the chattel  
17 paper which is claimed other than merely as proceeds of inventory  
18 subject to a security interest if the purchaser gives new value  
19 ~~((and))~~, takes possession of each authoritative tangible copy of the  
20 record evidencing the chattel paper ~~((or))~~, and obtains control  
21 ~~((or))~~ under RCW 62A.9A-105 of each authoritative electronic copy of  
22 the record evidencing the chattel paper ~~((under RCW 62A.9A-105))~~ in  
23 good faith, in the ordinary course of the purchaser's business, and  
24 without knowledge that the purchase violates the rights of the  
25 secured party.

26 (c) **Chattel paper purchaser's priority in proceeds.** Except as  
27 otherwise provided in RCW 62A.9A-327, a purchaser having priority in  
28 chattel paper under subsection (a) or (b) of this section also has  
29 priority in proceeds of the chattel paper to the extent that:

30 (1) RCW 62A.9A-322 provides for priority in the proceeds; or

31 (2) The proceeds consist of the specific goods covered by the  
32 chattel paper or cash proceeds of the specific goods, even if the  
33 purchaser's security interest in the proceeds is unperfected.

34 (d) **Instrument purchaser's priority.** Except as otherwise provided  
35 in RCW 62A.9A-331(a), a purchaser of an instrument has priority over  
36 a security interest in the instrument perfected by a method other  
37 than possession if the purchaser gives value and takes possession of  
38 the instrument in good faith and without knowledge that the purchase  
39 violates the rights of the secured party.

1 (e) **Holder of purchase-money security interest gives new value.**  
2 For purposes of subsections (a) and (b) of this section, the holder  
3 of a purchase-money security interest in inventory gives new value  
4 for chattel paper constituting proceeds of the inventory.

5 (f) **Indication of assignment gives knowledge.** For purposes of  
6 subsections (b) and (d) of this section, if the authoritative copies  
7 of the record evidencing chattel paper or an instrument indicate(~~s~~)  
8 that (~~it~~) the chattel paper or instrument has been assigned to an  
9 identified secured party other than the purchaser, a purchaser of the  
10 chattel paper or instrument has knowledge that the purchase violates  
11 the rights of the secured party.

12 **Sec. 929.** RCW 62A.9A-331 and 2001 c 32 s 30 are each amended to  
13 read as follows:

14 (a) **Rights under Articles 3, 7, ~~(and)~~ 8, and 12 not limited.**  
15 This Article does not limit the rights of a holder in due course of a  
16 negotiable instrument, a holder to which a negotiable document of  
17 title has been duly negotiated, (~~or~~) a protected purchaser of a  
18 security, or a qualifying purchaser of a controllable account,  
19 controllable electronic record, or controllable payment intangible.  
20 These holders or purchasers take priority over an earlier security  
21 interest, even if perfected, to the extent provided in Articles 3, 7,  
22 (~~and~~) 8, and 12.

23 (b) **Protection under Articles 8 and 12.** This Article does not  
24 limit the rights of or impose liability on a person to the extent  
25 that the person is protected against the assertion of a claim under  
26 Article 8 or 12.

27 (c) **Filing not notice.** Filing under this Article does not  
28 constitute notice of a claim or defense to the holders, or  
29 purchasers, or persons described in subsections (a) and (b) of this  
30 section.

31 **Sec. 930.** RCW 62A.9A-332 and 2000 c 250 s 9A-332 are each  
32 amended to read as follows:

33 (a) **Transferee of tangible money.** A transferee of tangible money  
34 takes the money free of a security interest (~~unless the transferee~~  
35 ~~acts~~) if the transferee receives possession of the money without  
36 acting in collusion with the debtor in violating the rights of the  
37 secured party.

1 (b) **Transferee of funds from deposit account.** A transferee of  
2 funds from a deposit account takes the funds free of a security  
3 interest in the deposit account (~~(unless the transferee acts)~~) if the  
4 transferee receives possession of the money without acting in  
5 collusion with the debtor in violating the rights of the secured  
6 party.

7 (c) **Transferee of electronic money.** A transferee of electronic  
8 money takes the money free of a security interest if the transferee  
9 obtains control of the money without acting in collusion with the  
10 debtor in violating the rights of the secured party.

11 **Sec. 931.** RCW 62A.9A-334 and 2001 c 32 s 32 are each amended to  
12 read as follows:

13 (a) **Security interest in fixtures under this Article.** A security  
14 interest under this Article may be created in goods that are fixtures  
15 or may continue in goods that become fixtures. A security interest  
16 does not exist under this Article in ordinary building materials  
17 incorporated into an improvement on land.

18 (b) **Security interest in fixtures under real-property law.** This  
19 Article does not prevent creation of an encumbrance upon fixtures  
20 under real property law.

21 (c) **General rule: Subordination of security interest in fixtures.**  
22 In cases not governed by subsections (d) through (h) of this section,  
23 a security interest in fixtures is subordinate to a conflicting  
24 interest of an encumbrancer or owner of the related real property  
25 other than the debtor.

26 (d) **Fixtures purchase-money priority.** Except as otherwise  
27 provided in subsection (h) of this section, a perfected security  
28 interest in fixtures has priority over a conflicting interest of an  
29 encumbrancer or owner of the real property if the debtor has an  
30 interest of record in, or is in possession of, the real property and:

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

32 (2) The interest of the encumbrancer or owner arises before the  
33 goods become fixtures; and

34 (3) The security interest is perfected by a fixture filing before  
35 the goods become fixtures or within twenty days thereafter.

36 (e) **Priority of security interest in fixtures over interests in**  
37 **real property.** A perfected security interest in fixtures has priority  
38 over a conflicting interest of an encumbrancer or owner of the real  
39 property if:

1 (1) The debtor has an interest of record in the real property or  
2 is in possession of the real property and the security interest:

3 (A) Is perfected by a fixture filing before the interest of the  
4 encumbrancer or owner is of record; and

5 (B) Has priority over any conflicting interest of a predecessor  
6 in title of the encumbrancer or owner;

7 (2) Before the goods become fixtures, the security interest is  
8 perfected by any method permitted by this Article and the fixtures  
9 are readily removable:

10 (A) Factory or office machines;

11 (B) Equipment that is not primarily used or leased for use in the  
12 operation of the real property; or

13 (C) Replacements of domestic appliances that are consumer goods;  
14 or

15 (3) The conflicting interest is a lien on the real property  
16 obtained by legal or equitable proceedings after the security  
17 interest was perfected by any method permitted by this Article.

18 (f) **Priority based on consent, disclaimer, or right to remove.** A  
19 security interest in fixtures, whether or not perfected, has priority  
20 over a conflicting interest of an encumbrancer or owner of the real  
21 property if:

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

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

27 (g) **Continuation of subsection (f)(2) priority.** The priority of  
28 the security interest under subsection (f)(2) of this section  
29 continues for a reasonable time if the debtor's right to remove the  
30 goods as against the encumbrancer or owner terminates.

31 (h) **Priority of construction mortgage.** A mortgage is a  
32 construction mortgage to the extent that it secures an obligation  
33 incurred for the construction of an improvement on land, including  
34 the acquisition cost of the land, if a recorded record of the  
35 mortgage so indicates. Except as otherwise provided in subsections  
36 (e) and (f) of this section, a security interest in fixtures is  
37 subordinate to a construction mortgage if a record of the mortgage is  
38 recorded before the goods become fixtures and the goods become  
39 fixtures before the completion of the construction. A mortgage has

1 this priority to the same extent as a construction mortgage to the  
2 extent that it is given to refinance a construction mortgage.

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

8 (j) **Subsection (i) prevails.** Subsection (i) of this section  
9 prevails over inconsistent provisions of any other statute except RCW  
10 60.11.050.

11 **Sec. 932.** RCW 62A.9A-341 and 2000 c 250 s 9A-341 are each  
12 amended to read as follows:

13 Except as otherwise provided in RCW 62A.9A-340(c), and unless the  
14 bank otherwise agrees in (~~an authenticated~~) a signed record, a  
15 bank's rights and duties with respect to a deposit account maintained  
16 with the bank are not terminated, suspended, or modified by:

- 17 (1) The creation, attachment, or perfection of a security  
18 interest in the deposit account;  
19 (2) The bank's knowledge of the security interest; or  
20 (3) The bank's receipt of instructions from the secured party.

21 **Sec. 933.** RCW 62A.9A-404 and 2000 c 250 s 9A-404 are each  
22 amended to read as follows:

23 (a) **Assignee's rights subject to terms, claims, and defenses;**  
24 **exceptions.** Unless an account debtor has made an enforceable  
25 agreement not to assert defenses or claims, and subject to  
26 subsections (b) through (e) of this section, the rights of an  
27 assignee are subject to:

28 (1) All terms of the agreement between the account debtor and  
29 assignor and any defense or claim in recoupment arising from the  
30 transaction that gave rise to the contract; and

31 (2) Any other defense or claim of the account debtor against the  
32 assignor which accrues before the account debtor receives a  
33 notification of the assignment (~~authenticated~~) signed by the  
34 assignor or the assignee.

35 (b) **Account debtor's claim reduces amount owed to assignee.**  
36 Subject to subsection (c) of this section, and except as otherwise  
37 provided in subsection (d) of this section, the claim of an account  
38 debtor against an assignor may be asserted against an assignee under

1 subsection (a) of this section only to reduce the amount the account  
2 debtor owes.

3 (c) **Rule for individual under other law.** This section is subject  
4 to law other than this Article which establishes a different rule for  
5 an account debtor who is an individual and who incurred the  
6 obligation primarily for personal, family, or household purposes.

7 (d) **Omission of required statement in consumer transaction.** In a  
8 consumer transaction, if a record evidences the account debtor's  
9 obligation, law other than this Article requires that the record  
10 include a statement to the effect that the account debtor's recovery  
11 against an assignee with respect to claims and defenses against the  
12 assignor may not exceed amounts paid by the account debtor under the  
13 record, and the record does not include such a statement, the extent  
14 to which a claim of an account debtor against the assignor may be  
15 asserted against an assignee is determined as if the record included  
16 such a statement.

17 (e) **Inapplicability to health-care-insurance receivable.** This  
18 section does not apply to an assignment of a health-care-insurance  
19 receivable.

20 **Sec. 934.** RCW 62A.9A-406 and 2011 c 74 s 301 are each amended to  
21 read as follows:

22 (a) **Discharge of account debtor; effect of notification.** Subject  
23 to subsections (b) through ~~((+j+))~~ (l) of this section, an account  
24 debtor on an account, chattel paper, or a payment intangible may  
25 discharge its obligation by paying the assignor until, but not after,  
26 the account debtor receives a notification, ~~((authenticated))~~ signed  
27 by the assignor or the assignee, that the amount due or to become due  
28 has been assigned and that payment is to be made to the assignee.  
29 After receipt of the notification, the account debtor may discharge  
30 its obligation by paying the assignee and may not discharge the  
31 obligation by paying the assignor.

32 (b) **When notification ineffective.** Subject to subsections (h) and  
33 (l) of this section, notification is ineffective under subsection (a)  
34 of this section:

- 35 (1) If it does not reasonably identify the rights assigned;  
36 (2) To the extent that an agreement between an account debtor and  
37 a seller of a payment intangible limits the account debtor's duty to  
38 pay a person other than the seller and the limitation is effective  
39 under law other than this Article; or



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

4 (A) Only a portion of the account, chattel paper, or payment  
5 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) **Proof of assignment.** Subject to subsections (h) and (l) of  
10 this section, if requested by the account debtor, an assignee shall  
11 seasonably furnish reasonable proof that the assignment has been  
12 made. Unless the assignee complies, the account debtor may discharge  
13 its obligation by paying the assignor, even if the account debtor has  
14 received a notification under subsection (a) of this section.

15 (d) **Term restricting assignment generally ineffective.** In this  
16 subsection, "promissory note" includes a negotiable instrument that  
17 evidences chattel paper. Except as otherwise provided in subsections  
18 (e) and (k) of this section and RCW 62A.2A-303 and 62A.9A-407, and  
19 subject to subsections (h) and (j) of this section, a term in an  
20 agreement between an account debtor and an assignor or in a  
21 promissory note is ineffective to the extent that it:

22 (1) Prohibits, restricts, or requires the consent of the account  
23 debtor or person obligated on the promissory note to the assignment  
24 or transfer of, or the creation, attachment, perfection, or  
25 enforcement of a security interest in, the account, chattel paper,  
26 payment intangible, or promissory note; or

27 (2) Provides that the assignment or transfer or the creation,  
28 attachment, perfection, or enforcement of the security interest may  
29 give rise to a default, breach, right of recoupment, claim, defense,  
30 termination, right of termination, or remedy under the account,  
31 chattel paper, payment intangible, or promissory note.

32 (e) **Inapplicability of subsection (d) of this section to certain**  
33 **sales.** Subsection (d) of this section does not apply to the sale of a  
34 payment intangible or promissory note, other than a sale pursuant to  
35 a disposition under RCW 62A.9A-610 or an acceptance of collateral  
36 under RCW 62A.9A-620.

37 (f) [Reserved.]

38 (g) **Subsection (b)(3) of this section not waivable.** Subject to  
39 subsections (h) and (l) of this section, an account debtor may not  
40 waive or vary its option under subsection (b)(3) of this section.

1 (h) **Rule for individual under other law.** This section is subject  
2 to law other than this Article which establishes a different rule for  
3 an account debtor who is an individual and who incurred the  
4 obligation primarily for personal, family, or household purposes.

5 (i) **Inapplicability to health-care-insurance receivable.** This  
6 section does not apply to an assignment of a health-care-insurance  
7 receivable.

8 (j) (1) **Inapplicability of subsection (d) of this section to**  
9 **certain transactions.** After July 1, 2003, subsection (d) of this  
10 section does not apply to the assignment or transfer of or creation  
11 of a security interest in:

12 (A) A claim or right to receive compensation for injuries or  
13 sickness as described in 26 U.S.C. Sec. 104(a)(1) or (2); or

14 (B) A claim or right to receive benefits under a special needs  
15 trust as described in 42 U.S.C. Sec. 1396p(d)(4).

16 (2) This subsection will not affect a transfer of structured  
17 settlement payment rights under chapter 19.205 RCW.

18 (k) **Inapplicability to interests in certain entities.** Subsection  
19 (d) of this section does not apply to a security interest in an  
20 ownership interest in a general partnership, limited partnership, or  
21 limited liability company.

22 (l) **Inapplicability of certain subsections.** Subsections (a), (b),  
23 (c), and (g) of this section do not apply to a controllable account  
24 or controllable payment intangible.

25 **Sec. 935.** RCW 62A.9A-408 and 2011 c 74 s 302 are each amended to  
26 read as follows:

27 (a) **Term restricting assignment generally ineffective.** Except as  
28 otherwise provided in subsections (b) and (f) of this section, a term  
29 in a promissory note or in an agreement between an account debtor and  
30 a debtor which relates to a health-care-insurance receivable or a  
31 general intangible, including a contract, permit, license, or  
32 franchise, and which term prohibits, restricts, or requires the  
33 consent of the person obligated on the promissory note or the account  
34 debtor to, the assignment or transfer of, or creation, attachment, or  
35 perfection of a security interest in, the promissory note, health-  
36 care-insurance receivable, or general intangible, is ineffective to  
37 the extent that the term:

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

1 (2) Provides that the assignment or transfer or the creation,  
2 attachment, or perfection of the security interest may give rise to a  
3 default, breach, right of recoupment, claim, defense, termination,  
4 right of termination, or remedy under the promissory note, health-  
5 care-insurance receivable, or general intangible.

6 (b) **Applicability of subsection (a) of this section to sales of**  
7 **certain rights to payment.** Subsection (a) of this section applies to  
8 a security interest in a payment intangible or promissory note only  
9 if the security interest arises out of a sale of the payment  
10 intangible or promissory note, other than a sale pursuant to a  
11 disposition under RCW 62A.9A-610 or an acceptance of collateral under  
12 RCW 62A.9A-620.

13 (c) **Legal restrictions on assignment generally ineffective.** ((A))  
14 Except as otherwise provided in subsection (f) of this section, a  
15 rule of law, statute, or regulation that prohibits, restricts, or  
16 requires the consent of a government, governmental body or official,  
17 person obligated on a promissory note, or account debtor to the  
18 assignment or transfer of, or creation of a security interest in, a  
19 promissory note, health-care-insurance receivable, or general  
20 intangible, including a contract, permit, license, or franchise  
21 between an account debtor and a debtor, is ineffective to the extent  
22 that the rule of law, statute, or regulation:

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

25 (2) Provides that the assignment or transfer or the creation,  
26 attachment, or perfection of the security interest may give rise to a  
27 default, breach, right of recoupment, claim, defense, termination,  
28 right of termination, or remedy under the promissory note, health-  
29 care-insurance receivable, or general intangible.

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

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

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

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

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

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

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

22 (e) (1) **Inapplicability of subsections (a) and (c) of this section**  
23 **to certain payment intangibles.** After July 1, 2003, subsections (a)  
24 and (c) of this section do not apply to the assignment or transfer of  
25 or creation of a security interest in:

26 (A) A claim or right to receive compensation for injuries or  
27 sickness as described in 26 U.S.C. Sec. 104(a)(1) or (2); or

28 (B) A claim or right to receive benefits under a special needs  
29 trust as described in 42 U.S.C. Sec. 1396p(d)(4).

30 (2) This subsection will not affect a transfer of structured  
31 settlement payment rights under chapter 19.205 RCW.

32 (f) **Inapplicability to interests in certain entities.** This  
33 section does not apply to a security interest in an ownership  
34 interest in a general partnership, limited partnership, or limited  
35 liability company.

36 (g) **"Promissory note."** In this section, "promissory note"  
37 includes a negotiable instrument that evidences chattel paper.

38 **Sec. 936.** RCW 62A.9A-509 and 2001 c 32 s 36 are each amended to  
39 read as follows:

1 (a) **Person entitled to file record.** A person may file an initial  
2 financing statement, amendment that adds collateral covered by a  
3 financing statement, or amendment that adds a debtor to a financing  
4 statement only if:

5 (1) The debtor authorizes the filing in ((an—authenticated)) a  
6 signed record or pursuant to subsection (b) or (c) of this section;  
7 or

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

11 (b) **Security agreement as authorization.** By ((authenticating))  
12 signing or becoming bound as debtor by a security agreement, a debtor  
13 or new debtor authorizes the filing of an initial financing  
14 statement, and an amendment, covering:

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

16 (2) Property that becomes collateral under RCW 62A.9A-315(a)(2),  
17 whether or not the security agreement expressly covers proceeds.

18 (c) **Acquisition of collateral as authorization.** By acquiring  
19 collateral in which a security interest or agricultural lien  
20 continues under RCW 62A.9A-315(a)(1), a debtor authorizes the filing  
21 of an initial financing statement, and an amendment, covering the  
22 collateral and property that becomes collateral under RCW  
23 62A.9A-315(a)(2).

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

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

29 (2) The amendment is a termination statement for a financing  
30 statement as to which the secured party of record has failed to file  
31 or send a termination statement as required by RCW 62A.9A-513 (a) or  
32 (c), the debtor authorizes the filing, and the termination statement  
33 indicates that the debtor authorized it to be filed.

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

38 **Sec. 937.** RCW 62A.9A-513 and 2001 c 32 s 37 are each amended to  
39 read as follows:

1 (a) **Consumer goods.** A secured party shall cause the secured party  
2 of record for a financing statement to file a termination statement  
3 for the financing statement if the financing statement covers  
4 consumer goods and:

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

8 (2) The debtor did not authorize the filing of the initial  
9 financing statement.

10 (b) **Time for compliance with subsection (a) of this section.** To  
11 comply with subsection (a) of this section, a secured party shall  
12 cause the secured party of record to file the termination statement:

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

16 (2) If earlier, within (~~(twenty)~~) 20 days after the secured party  
17 receives (~~(an authenticated)~~) a signed demand from a debtor.

18 (c) **Other collateral.** In cases not governed by subsection (a) of  
19 this section, within (~~(twenty)~~) 20 days after a secured party  
20 receives (~~(an authenticated)~~) a signed demand from a debtor, the  
21 secured party shall cause the secured party of record for a financing  
22 statement to send to the debtor a termination statement for the  
23 financing statement or file the termination statement in the filing  
24 office if:

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

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

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

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

38 (d) **Effect of filing termination statement.** Except as otherwise  
39 provided in RCW 62A.9A-510, upon the filing of a termination  
40 statement with the filing office, the financing statement to which

1 the termination statement relates ceases to be effective. Except as  
2 otherwise provided in RCW 62A.9A-510, for purposes of RCW  
3 62A.9A-519(g), 62A.9A-522(a), and 62A.9A-523(c), the filing with the  
4 filing office of a termination statement relating to a financing  
5 statement that indicates that the debtor is a transmitting utility  
6 also causes the effectiveness of the financing statement to lapse.

7 **Sec. 938.** RCW 62A.9A-601 and 2012 c 214 s 1518 are each amended  
8 to read as follows:

9 (a) **Rights of secured party after default.** After default, a  
10 secured party has the rights provided in this part and, except as  
11 otherwise provided in RCW 62A.9A-602, those provided by agreement of  
12 the parties. A secured party:

13 (1) May reduce a claim to judgment, foreclose, or otherwise  
14 enforce the claim, security interest, or agricultural lien by any  
15 available judicial procedure; and

16 (2) If the collateral is documents, may proceed either as to the  
17 documents or as to the goods they cover.

18 (b) **Rights and duties of secured party in possession or control.**

19 A secured party in possession of collateral or control of collateral  
20 under RCW 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or  
21 62A.9A-107 or section 904 or 905 of this act has the rights and  
22 duties provided in RCW 62A.9A-207.

23 (c) **Rights cumulative; simultaneous exercise.** The rights under  
24 subsections (a) and (b) of this section are cumulative and may be  
25 exercised simultaneously.

26 (d) **Rights of debtor and obligor.** Except as otherwise provided in  
27 subsection (g) of this section and RCW 62A.9A-605, after default, a  
28 debtor and an obligor have the rights provided in this part and by  
29 agreement of the parties.

30 (e) **Lien of levy after judgment.** If a secured party has reduced  
31 its claim to judgment, the lien of any levy that may be made upon the  
32 collateral by virtue of an execution based upon the judgment relates  
33 back to the earliest of:

34 (1) The date of perfection of the security interest or  
35 agricultural lien in the collateral;

36 (2) The date of filing a financing statement covering the  
37 collateral; or

38 (3) Any date specified in a statute under which the agricultural  
39 lien was created.

1 (f) **Execution sale.** A sale pursuant to an execution is a  
2 foreclosure of the security interest or agricultural lien by judicial  
3 procedure within the meaning of this section. A secured party may  
4 purchase at the sale and thereafter hold the collateral free of any  
5 other requirements of this Article.

6 (g) **Consignor or buyer of certain rights to payment.** Except as  
7 otherwise provided in RCW 62A.9A-607(c), this part imposes no duties  
8 upon a secured party that is a consignor or is a buyer of accounts,  
9 chattel paper, payment intangibles, or promissory notes.

10 (h) **Enforcement restrictions.** All rights and remedies provided in  
11 this part with respect to promissory notes or an agreement between an  
12 account debtor and a debtor which relates to a health-care-insurance  
13 receivable or a general intangible, including a contract, permit,  
14 license, or franchise, are subject to RCW 62A.9A-408 to the extent  
15 applicable.

16 **Sec. 939.** RCW 62A.9A-605 and 2000 c 250 s 9A-605 are each  
17 amended to read as follows:

18 ((A)) (a) **In general: No duty owed by secured party.** Except as  
19 provided in subsection (b) of this section, a secured party does not  
20 owe a duty based on its status as secured party:

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

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

24 (B) The identity of the person; and

25 (C) How to communicate with the person; or

26 (2) To a secured party or lienholder that has filed a financing  
27 statement against a person, unless the secured party knows:

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

29 (B) The identity of the person.

30 (b) **Exception: Secured party owes duty to debtor or obligor.** A  
31 secured party owes a duty based on its status as a secured party to a  
32 person if, at the time the secured party obtains control of  
33 collateral that is a controllable account, controllable electronic  
34 record, or controllable payment intangible or at the time the  
35 security interest attaches to the collateral, whichever is later:

36 (1) The person is a debtor or obligor; and

37 (2) The secured party knows that the information in subsection  
38 (a)(1)(A), (B), or (C) of this section relating to the person is not  
39 provided by the collateral, a record attached to or logically



1 associated with the collateral, or the system in which the collateral  
2 is recorded.

3 **Sec. 940.** RCW 62A.9A-608 and 2001 c 32 s 41 are each amended to  
4 read as follows:

5 (a) **Application of proceeds, surplus, and deficiency if**  
6 **obligation secured.** If a security interest or agricultural lien  
7 secures payment or performance of an obligation, the following rules  
8 apply:

9 (1) A secured party shall apply or pay over for application the  
10 cash proceeds of collection or enforcement under RCW 62A.9A-607 in  
11 the following order to:

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

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

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

25 (2) If requested by a secured party, a holder of a subordinate  
26 security interest or other lien shall furnish reasonable proof of the  
27 interest or lien within a reasonable time. Unless the holder  
28 complies, the secured party need not comply with the holder's demand  
29 under (1)(C) of this subsection.

30 (3) A secured party need not apply or pay over for application  
31 noncash proceeds of collection and enforcement under RCW 62A.9A-607  
32 unless the failure to do so would be commercially unreasonable. A  
33 secured party that applies or pays over for application noncash  
34 proceeds shall do so in a commercially reasonable manner.

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

37 (b) **No surplus or deficiency in sales of certain rights to**  
38 **payment.** If the underlying transaction is a sale of accounts, chattel  
39 paper, payment intangibles, or promissory notes, the debtor is not

1 entitled to any surplus, and the obligor is not liable for any  
2 deficiency.

3 **Sec. 941.** RCW 62A.9A-611 and 2011 c 74 s 724 are each amended to  
4 read as follows:

5 (a) **"Notification date."** In this section, "notification date"  
6 means the earlier of the date on which:

7 (1) A secured party sends to the debtor and any secondary obligor  
8 an (~~authenticated~~) a signed notification of disposition; or

9 (2) The debtor and any secondary obligor waive the right to  
10 notification.

11 (b) **Notification of disposition required.** Except as otherwise  
12 provided in subsection (d) of this section, a secured party that  
13 disposes of collateral under RCW 62A.9A-610 shall send to the persons  
14 specified in subsection (c) of this section a reasonable  
15 (~~authenticated~~) signed notification of disposition.

16 (c) **Persons to be notified.** To comply with subsection (b) of this  
17 section, the secured party shall send (~~an authenticated~~) a signed  
18 notification of disposition to:

19 (1) The debtor;

20 (2) Any secondary obligor; and

21 (3) If the collateral is other than consumer goods:

22 (A) Any other secured party or lienholder that, (~~ten~~) 10 days  
23 before the notification date, held a security interest in or other  
24 lien on the collateral perfected by the filing of a financing  
25 statement that:

26 (i) Identified the collateral;

27 (ii) Was indexed under the debtor's name as of that date; and

28 (iii) Was filed in the office in which to file a financing  
29 statement against the debtor covering the collateral as of that date;  
30 and

31 (B) Any other secured party that, (~~ten~~) 10 days before the  
32 notification date, held a security interest in the collateral  
33 perfected by compliance with a statute, regulation, or treaty  
34 described in RCW 62A.9A-311(a).

35 (d) **Subsection (b) of this section inapplicable: Perishable**  
36 **collateral; recognized market.** Subsection (b) of this section does  
37 not apply if the collateral is perishable or threatens to decline  
38 speedily in value or is of a type customarily sold on a recognized  
39 market.

1 (e) **Compliance with subsection (c) (3) (A) of this section.** A  
2 secured party complies with the requirement for notification  
3 prescribed by subsection (c) (3) (A) of this section if:

4 (1) Not later than (~~twenty~~) 20 days or earlier than (~~thirty~~)  
5 30 days before the notification date, the secured party requests, in  
6 a commercially reasonable manner, information concerning financing  
7 statements indexed under the debtor's name in the office indicated in  
8 subsection (c) (3) (A) of this section; and

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

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

11 (B) Received a response to the request for information and sent  
12 (~~an authenticated~~) a signed notification of disposition to each  
13 secured party or other lienholder named in that response whose  
14 financing statement covered the collateral.

15 **Sec. 942.** RCW 62A.9A-613 and 2001 c 32 s 42 are each amended to  
16 read as follows:

17 (a) Contents and form of notification. Except in a consumer-goods  
18 transaction, the following rules apply:

19 (1) The contents of a notification of disposition are sufficient  
20 if the notification:

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

22 (B) Describes the collateral that is the subject of the intended  
23 disposition;

24 (C) States the method of intended disposition;

25 (D) States that the debtor is entitled to an accounting of the  
26 unpaid indebtedness and states the charge, if any, for an accounting;  
27 and

28 (E) States the time and place of a public disposition or the time  
29 after which any other disposition is to be made.

30 (2) Whether the contents of a notification that lacks any of the  
31 information specified in subsection (1) of this section are  
32 nevertheless sufficient is a question of fact.

33 (3) The contents of a notification providing substantially the  
34 information specified in subsection (1) of this section are  
35 sufficient, even if the notification includes:

36 (A) Information not specified by subsection (1) of this section;

37 or

38 (B) Minor errors that are not seriously misleading.

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

1 (5) The following form of notification and the form appearing in  
2 RCW 62A.9A-614(a)(3), when completed in accordance with the  
3 instructions in subsection (b) of this section and RCW 62A.9A-614(b),  
4 each provides sufficient information:

5 **NOTIFICATION OF DISPOSITION**  
6 **OF COLLATERAL**

7 (~~To: \_\_\_\_\_ [Name of debtor, obligor, or other person to which the~~  
8 ~~notification is sent]\_\_\_\_\_~~

9 ~~From: \_\_\_\_\_ [Name, address, and telephone number of secured~~  
10 ~~party]\_\_\_\_\_~~

11 ~~Name of Debtor(s): \_\_\_\_\_ [Include only if debtor(s) are not an~~  
12 ~~addressee]\_\_\_\_\_~~

13 ~~[For a public disposition:]~~

14 ~~We will sell [or lease or license, as applicable] the~~  
15 ~~\_\_\_\_\_ [describe collateral]\_\_\_\_\_ [to the highest qualified bidder] in~~  
16 ~~public as follows:~~

17 ~~Day and Date: \_\_\_\_\_~~

18 ~~Time: \_\_\_\_\_~~

19 ~~Place: \_\_\_\_\_~~

20 ~~[For a private disposition:]~~

21 ~~We will sell [or lease or license, as applicable] the~~  
22 ~~\_\_\_\_\_ [describe collateral]\_\_\_\_\_ privately sometime after \_\_\_\_\_ [day and~~  
23 ~~date]\_\_\_\_\_.~~

24 ~~You are entitled to an accounting of the unpaid indebtedness~~  
25 ~~secured by the property that we intend to sell [or lease or license,~~  
26 ~~as applicable] [for a charge of \$\_\_\_\_\_]. You may request an~~  
27 ~~accounting by calling us at \_\_\_\_\_ [telephone number]\_\_\_\_\_.)~~

28 ~~To: \_\_\_\_\_ (Name of debtor, obligor, or other person to which the~~  
29 ~~notification is sent)~~

30 ~~From: \_\_\_\_\_ (Name, address, and telephone number of secured~~  
31 ~~party)~~

32 ~~{1} Name of any debtor that is not an addressee: (Name of each~~  
33 ~~debtor)~~

34 ~~{2} We will sell (describe collateral) (to the highest qualified~~  
35 ~~bidder) at public sale. A sale could include a lease or license. The~~  
36 ~~sale will be held as follows:~~

37 ~~(Date)~~

38 ~~(Time)~~

39 ~~(Place)~~

1 {3} We will sell (describe collateral) at private sale sometime  
2 after (date). A sale could include a lease or license.

3 {4} You are entitled to an accounting of the unpaid indebtedness  
4 secured by the property that we intend to sell or, as applicable,  
5 lease or license.

6 {5} If you request an accounting you must pay a charge of  
7 \$(amount).

8 {6} You may request an accounting by calling us at (telephone  
9 number).

10 **[End of Form]**

11 **(b) Instructions for form of notification.** The following  
12 instructions apply to the form of notification in subsection (a)(5)  
13 of this section:

14 (1) The instructions in this subsection refer to the numbers in  
15 braces before items in the form of notification in subsection (a)(5)  
16 of this section. Do not include the numbers or braces in the  
17 notification. The numbers and braces are used only for the purpose of  
18 these instructions.

19 (2) Include and complete item {1} only if there is a debtor that  
20 is not an addressee of the notification and list the name or names.

21 (3) Include and complete either item {2}, if the notification  
22 relates to a public disposition of the collateral, or item {3}, if  
23 the notification relates to a private disposition of the collateral.  
24 If item {2} is included, include the words "to the highest qualified  
25 bidder" only if applicable.

26 (4) Include and complete items {4} and {6}.

27 (5) Include and complete item {5} only if the sender will charge  
28 the recipient for an accounting.

29 **Sec. 943.** RCW 62A.9A-614 and 2000 c 250 s 9A-614 are each  
30 amended to read as follows:

31 **(a) Contents and form of notification.** In a consumer-goods  
32 transaction, the following rules apply:

33 (1) A notification of disposition must provide the following  
34 information:

35 (A) The information specified in RCW 62A.9A-613(a)(1);

36 (B) A description of any liability for a deficiency of the person  
37 to which the notification is sent;

1 (C) A telephone number from which the amount that must be paid to  
2 the secured party to redeem the collateral under RCW 62A.9A-623 is  
3 available; and

4 (D) A telephone number or mailing address from which additional  
5 information concerning the disposition and the obligation secured is  
6 available.

7 (2) A particular phrasing of the notification is not required.

8 (3) The following form of notification, when completed in  
9 accordance with the instructions in subsection (b) of this section,  
10 provides sufficient information:

11 (~~([Name and address of secured party]~~)  
12 ~~[Date]~~

13 **~~NOTICE OF OUR PLAN TO SELL PROPERTY~~**

14 ~~[Name and address of any obligor who is also a debtor]~~

15 Subject: ~~[Identification of Transaction]~~

16 We have your ~~[describe collateral]~~, because you broke promises  
17 in our agreement.

18 ~~{For a public disposition:}~~

19 We will sell ~~[describe collateral]~~ at public sale. A sale could  
20 include a lease or license. The sale will be held as follows:

21 Date: ~~\_\_\_\_\_~~

22 Time: ~~\_\_\_\_\_~~

23 Place: ~~\_\_\_\_\_~~

24 You may attend the sale and bring bidders if you want.

25 ~~{For a private disposition:}~~

26 We will sell ~~[describe collateral]~~ at private sale sometime  
27 after ~~[date]~~. A sale could include a lease or license.

28 The money that we get from the sale (after paying our costs) will  
29 reduce the amount you owe. If we get less money than you owe, you  
30 ~~[will or will not, as applicable]~~ still owe us the difference.  
31 If we get more money than you owe, you will get the extra money,  
32 unless we must pay it to someone else.

33 You can get the property back at any time before we sell it by paying  
34 us the full amount you owe (not just the past due payments),  
35 including our expenses. To learn the exact amount you must pay, call  
36 us at ~~[telephone number]~~.

~~If you want us to explain to you in writing how we have figured the amount that you owe us, you may call us at \_\_\_\_\_ [telephone number] \_\_\_\_\_ [or write us at \_\_\_\_\_ [secured party's address] \_\_\_\_\_] and request a written explanation. [We will charge you \$ \_\_\_\_\_ for the explanation if we sent you another written explanation of the amount you owe us within the last six months.]~~

~~If you need more information about the sale call us at \_\_\_\_\_ [telephone number] \_\_\_\_\_ [or write us at \_\_\_\_\_ [secured party's address] \_\_\_\_\_].~~

~~We are sending this notice to the following other people who have an interest in \_\_\_\_\_ [describe collateral] \_\_\_\_\_ or who owe money under your agreement:~~

~~\_\_\_\_\_ [Names of all other debtors and obligors, if any] \_\_\_\_\_)~~

~~\_\_\_\_\_ (Name and address of secured party)~~

~~\_\_\_\_\_ (Date)~~

**NOTICE OF OUR PLAN TO SELL PROPERTY**

(Name and address of any obligor who is also a debtor)

Subject: (Identify transaction)

We have your (describe collateral) \_\_\_\_\_, because you broke promises in our agreement.

{1} We will sell (describe collateral) at public sale. A sale could include a lease or license. The sale will be held as follows:

(Date)

(Time)

(Place)

You may attend the sale and bring bidders if you want.

{2} We will sell (describe collateral) at private sale sometime after (date). A sale could include a lease or license.

{3} The money that we get from the sale, after paying our costs, will reduce the amount you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

{4} You can get the property back at any time before we sell it by paying us the full amount you owe, not just the past due payments, including our expenses. To learn the exact amount you must pay, call us at (telephone number).

{5} If you want us to explain to you in (writing) (writing or in (description of electronic record)) (description of electronic

1 record) how we have figured the amount that you owe us, {6} call us  
2 at (telephone number) (or) (write us at (secured party's address))  
3 (or contact us by (description of electronic communication method))  
4 {7} and request (a written explanation) (a written explanation or an  
5 explanation in (description of electronic record)) (an explanation in  
6 (description of electronic record)).

7 {8} We will charge you \$ (amount) for the explanation if we sent  
8 you another written explanation of the amount you owe us within the  
9 last six months.

10 {9} If you need more information about the sale (call us at  
11 (telephone number)) (or) (write us at (secured party's address)) (or  
12 contact us by (description of electronic communication method)).

13 {10} We are sending this notice to the following other people who  
14 have an interest in (describe collateral) or who owe money under your  
15 agreement:

16 (Names of all other debtors and obligors, if any)

17 **[End of Form]**

18 **(b) Instructions for form of notification.** The following  
19 instructions apply to the form of notification in subsection (a)(3)  
20 of this section:

21 (1) The instructions in this subsection refer to the numbers in  
22 braces before items in the form of notification in subsection (a)(3)  
23 of this section. Do not include the numbers or braces in the  
24 notification. The numbers and braces are used only for the purpose of  
25 these instructions.

26 (2) Include and complete either item {1}, if the notification  
27 relates to a public disposition of the collateral, or item {2}, if  
28 the notification relates to a private disposition of the collateral.

29 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

30 (4) In item {5}, include and complete any one of the three  
31 alternative methods for the explanation—writing, writing or  
32 electronic record, or electronic record.

33 (5) In item {6}, include the telephone number. In addition, the  
34 sender may include and complete either or both of the two additional  
35 alternative methods of communication—writing or electronic  
36 communication—for the recipient of the notification to communicate  
37 with the sender. Neither of the two additional methods of  
38 communication is required to be included.



1 (6) In item {7}, include and complete the method or methods for  
2 the explanation—writing, writing or electronic record, or electronic  
3 record—included in item {5}.

4 (7) Include and complete item {8} only if a written explanation  
5 is included in item {5} as a method for communicating the explanation  
6 and the sender will charge the recipient for another written  
7 explanation.

8 (8) In item {9}, include either the telephone number or the  
9 address or both the telephone number and the address. In addition,  
10 the sender may include and complete the additional method of  
11 communication—electronic communication—for the recipient of the  
12 notification to communicate with the sender. The additional method of  
13 electronic communication is not required to be included.

14 (9) If item {10} does not apply, insert "None" after  
15 "agreement:".

16 ~~((4))~~ (c)(1) A notification in the form of ~~(subsection)~~  
17 subsection (a)(3) of this section is sufficient, even if additional  
18 information appears at the end of the form.

19 ~~((5))~~ (2) A notification in the form of ~~(subsection)~~  
20 subsection (a)(3) of this section is sufficient, even if it includes  
21 errors in information not required by ~~(subsection)~~ subsection (a)  
22 (1) of this section, unless the error is misleading with respect to  
23 rights arising under this Article.

24 ~~((6))~~ (3) If a notification under this section is not in the  
25 form of ~~(subsection)~~ subsection (a)(3) of this section, law other  
26 than this Article determines the effect of including information not  
27 required by ~~(subsection)~~ subsection (a)(1) of this section.

28 **Sec. 944.** RCW 62A.9A-615 and 2001 c 32 s 43 are each amended to  
29 read as follows:

30 (a) **Application of proceeds.** A secured party shall apply or pay  
31 over for application the cash proceeds of disposition under RCW  
32 62A.9A-610 in the following order to:

33 (1) The reasonable expenses of retaking, holding, preparing for  
34 disposition, processing, and disposing, and, to the extent provided  
35 for by agreement and not prohibited by law, reasonable attorneys'  
36 fees and legal expenses incurred by the secured party;

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

1 (3) The satisfaction of obligations secured by any subordinate  
2 security 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)~~) a signed demand  
5 for proceeds before distribution of the proceeds is completed; and

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

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

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

19 (c) **Application of noncash proceeds.** A secured party need not  
20 apply or pay over for application noncash proceeds of disposition  
21 under RCW 62A.9A-610 unless the failure to do so would be  
22 commercially unreasonable. A secured party that applies or pays over  
23 for application noncash proceeds shall do so in a commercially  
24 reasonable manner.

25 (d) **Surplus or deficiency if obligation secured.** If the security  
26 interest under which a disposition is made secures payment or  
27 performance of an obligation, after making the payments and  
28 applications required by subsection (a) of this section and permitted  
29 by subsection (c) of this section:

30 (1) Unless subsection (a)(4) of this section requires the secured  
31 party to apply or pay over cash proceeds to a consignor, the secured  
32 party shall account to and pay a debtor for any surplus; and

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

34 (e) **No surplus or deficiency in sales of certain rights to**  
35 **payment.** If the underlying transaction is a sale of accounts, chattel  
36 paper, payment intangibles, or promissory notes:

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

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

39 (f) [Reserved.]

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

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

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

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

14 **Sec. 945.** RCW 62A.9A-616 and 2000 c 250 s 9A-616 are each  
15 amended to read as follows:

16 (a) **Definitions.** In this section:

17 (1) "Explanation" means a (~~writing~~) record that:

18 (A) States the amount of the surplus or deficiency;

19 (B) Provides an explanation in accordance with subsection (c) of  
20 this section of how the secured party calculated the surplus or  
21 deficiency;

22 (C) States, if applicable, that future debits, credits, charges,  
23 including additional credit service charges or interest, rebates, and  
24 expenses may affect the amount of the surplus or deficiency; and

25 (D) Provides a telephone number or mailing address from which  
26 additional information concerning the transaction is available.

27 (2) "Request" means a record:

28 (A) (~~Authenticated~~) Signed by a debtor or consumer obligor;

29 (B) Requesting that the recipient provide an explanation; and

30 (C) Sent after disposition of the collateral under RCW  
31 62A.9A-610.

32 (b) **Explanation of calculation.** In a consumer-goods transaction  
33 in which the debtor is entitled to a surplus or a consumer obligor is  
34 liable for a deficiency under RCW 62A.9A-615, the secured party  
35 shall:

36 (1) Send an explanation to the debtor or consumer obligor, as  
37 applicable, after the disposition and:

38 (A) Before or when the secured party accounts to the debtor and  
39 pays any surplus or first makes (~~written~~) demand in a record on the

1 consumer obligor after the disposition for payment of the deficiency;  
2 and

3 (B) Within (~~fourteen~~) 14 days after receipt of a request; or

4 (2) In the case of a consumer obligor who is liable for a  
5 deficiency, within (~~fourteen~~) 14 days after receipt of a request,  
6 send to the consumer obligor a record waiving the secured party's  
7 right to a deficiency.

8 (c) **Required information.** To comply with subsection (a)(1)(B) of  
9 this section, (~~a writing~~) an explanation must provide the following  
10 information in the following order:

11 (1) The aggregate amount of obligations secured by the security  
12 interest under which the disposition was made, and, if the amount  
13 reflects a rebate of unearned interest or credit service charge, an  
14 indication of that fact, calculated as of a specified date:

15 (A) If the secured party takes or receives possession of the  
16 collateral after default, not more than thirty-five days before the  
17 secured party takes or receives possession; or

18 (B) If the secured party takes or receives possession of the  
19 collateral before default or does not take possession of the  
20 collateral, not more than thirty-five days before the disposition;

21 (2) The amount of proceeds of the disposition;

22 (3) The aggregate amount of the obligations after deducting the  
23 amount of proceeds;

24 (4) The amount, in the aggregate or by type, and types of  
25 expenses, including expenses of retaking, holding, preparing for  
26 disposition, processing, and disposing of the collateral, and  
27 attorneys' fees secured by the collateral which are known to the  
28 secured party and relate to the current disposition;

29 (5) The amount, in the aggregate or by type, and types of  
30 credits, including rebates of interest or credit service charges, to  
31 which the obligor is known to be entitled and which are not reflected  
32 in the amount in (1) of this subsection; and

33 (6) The amount of the surplus or deficiency.

34 (d) **Substantial compliance.** A particular phrasing of the  
35 explanation is not required. An explanation complying substantially  
36 with the requirements of subsection (a) of this section is  
37 sufficient, even if it includes minor errors that are not seriously  
38 misleading.

39 (e) **Charges for responses.** A debtor or consumer obligor is  
40 entitled without charge to one response to a request under this

1 section during any six-month period in which the secured party did  
2 not send to the debtor or consumer obligor an explanation pursuant to  
3 subsection (b)(1) of this section. The secured party may require  
4 payment of a charge not exceeding twenty-five dollars for each  
5 additional response.

6 **Sec. 946.** RCW 62A.9A-619 and 2000 c 250 s 9A-619 are each  
7 amended to read as follows:

8 (a) **"Transfer statement."** In this section, "transfer statement"  
9 means a record (~~(authenticated)~~) signed by a secured party stating:

10 (1) That the debtor has defaulted in connection with an  
11 obligation secured by specified collateral;

12 (2) That the secured party has exercised its post-default  
13 remedies with respect to the collateral;

14 (3) That, by reason of the exercise, a transferee has acquired  
15 the rights of the debtor in the collateral; and

16 (4) The name and mailing address of the secured party, debtor,  
17 and transferee.

18 (b) **Effect of transfer statement.** A transfer statement entitles  
19 the transferee to the transfer of record of all rights of the debtor  
20 in the collateral specified in the statement in any official filing,  
21 recording, registration, or certificate-of-title system covering the  
22 collateral. If a transfer statement is presented with the applicable  
23 fee and request form to the official or office responsible for  
24 maintaining the system, the official or office shall:

25 (1) Accept the transfer statement;

26 (2) Promptly amend its records to reflect the transfer; and

27 (3) If applicable, issue a new appropriate certificate of title  
28 in the name of the transferee.

29 (c) **Transfer not a disposition; no relief of secured party's**  
30 **duties.** A transfer of the record or legal title to collateral to a  
31 secured party under subsection (b) of this section or otherwise is  
32 not of itself a disposition of collateral under this Article and does  
33 not of itself relieve the secured party of its duties under this  
34 Article.

35 **Sec. 947.** RCW 62A.9A-620 and 2000 c 250 s 9A-620 are each  
36 amended to read as follows:

1 (a) **Conditions to acceptance in satisfaction.** A secured party may  
2 accept collateral in full or partial satisfaction of the obligation  
3 it secures only if:

4 (1) The debtor consents to the acceptance under subsection (c) of  
5 this section;

6 (2) The secured party does not receive, within the time set forth  
7 in subsection (d) of this section, a notification of objection to the  
8 proposal (~~(authenticated)~~) signed by:

9 (A) A person to which the secured party was required to send a  
10 proposal under RCW 62A.9A-621; or

11 (B) Any other person, other than the debtor, holding an interest  
12 in the collateral subordinate to the security interest that is the  
13 subject of the proposal; and

14 (3) Subsection (e) of this section does not require the secured  
15 party to dispose of the collateral or the debtor waives the  
16 requirement pursuant to RCW 62A.9A-624.

17 (b) **Purported acceptance ineffective.** A purported or apparent  
18 acceptance of collateral under this section is ineffective unless:

19 (1) The secured party consents to the acceptance in (~~an~~  
20 ~~authenticated~~) a signed record or sends a proposal to the debtor;  
21 and

22 (2) The conditions of subsection (a) of this section are met.

23 (c) **Debtor's consent.** For purposes of this section:

24 (1) A debtor consents to an acceptance of collateral in partial  
25 satisfaction of the obligation it secures only if the debtor agrees  
26 to the terms of the acceptance in a record (~~(authenticated)~~) signed  
27 after default; and

28 (2) A debtor consents to an acceptance of collateral in full  
29 satisfaction of the obligation it secures only if the debtor agrees  
30 to the terms of the acceptance in a record (~~(authenticated)~~) signed  
31 after default or the secured party:

32 (A) Sends to the debtor after default a proposal that is  
33 unconditional or subject only to a condition that collateral not in  
34 the possession of the secured party be preserved or maintained;

35 (B) In the proposal, proposes to accept collateral in full  
36 satisfaction of the obligation it secures; and

37 (C) Does not receive a notification of objection  
38 (~~(authenticated)~~) signed by the debtor within (~~(twenty)~~) 20 days  
39 after the proposal is sent.

1 (d) **Effectiveness of notification.** To be effective under  
2 subsection (a)(2) of this section, a notification of objection must  
3 be received by the secured party:

4 (1) In the case of a person to which the proposal was sent  
5 pursuant to RCW 62A.9A-621, within (~~twenty~~) 20 days after  
6 notification was sent to that person; and

7 (2) In other cases:

8 (A) Within (~~twenty~~) 20 days after the last notification was  
9 sent pursuant to RCW 62A.9A-621; or

10 (B) If a notification was not sent, before the debtor consents to  
11 the acceptance under subsection (c) of this section.

12 (e) **Mandatory disposition of consumer goods.** A secured party that  
13 has taken possession of collateral shall dispose of the collateral  
14 pursuant to RCW 62A.9A-610 within the time specified in subsection  
15 (f) of this section if:

16 (1) Sixty percent of the cash price has been paid in the case of  
17 a purchase-money security interest in consumer goods; or

18 (2) Sixty percent of the principal amount of the obligation  
19 secured has been paid in the case of a nonpurchase-money security  
20 interest in consumer goods.

21 (f) **Compliance with mandatory disposition requirement.** To comply  
22 with subsection (e) of this section, the secured party shall dispose  
23 of the collateral:

24 (1) Within ninety days after taking possession; or

25 (2) Within any longer period to which the debtor and all  
26 secondary obligors have agreed in an agreement to that effect entered  
27 into and (~~authenticated~~) signed after default.

28 **Sec. 948.** RCW 62A.9A-621 and 2011 c 74 s 725 are each amended to  
29 read as follows:

30 (a) **Persons to which proposal to be sent.** A secured party that  
31 desires to accept collateral in full or partial satisfaction of the  
32 obligation it secures shall send its proposal to:

33 (1) Any other secured party or lienholder that, (~~ten~~) 10 days  
34 before the debtor consented to the acceptance, held a security  
35 interest in or other lien on the collateral perfected by the filing  
36 of a financing statement that:

37 (A) Identified the collateral;

38 (B) Was indexed under the debtor's name as of that date; and

1 (C) Was filed in the office or offices in which to file a  
2 financing statement against the debtor covering the collateral as of  
3 that date; and

4 (2) Any other secured party that, (~~ten~~) 10 days before the  
5 debtor consented to the acceptance, held a security interest in the  
6 collateral perfected by compliance with a statute, regulation, or  
7 treaty described in RCW 62A.9A-311(a).

8 (b) **Proposal to be sent to secondary obligor in partial**  
9 **satisfaction.** A secured party that desires to accept collateral in  
10 partial satisfaction of the obligation it secures shall send its  
11 proposal to any secondary obligor in addition to the persons  
12 described in subsection (a) of this section.

13 **Sec. 949.** RCW 62A.9A-624 and 2000 c 250 s 9A-624 are each  
14 amended to read as follows:

15 (a) **Waiver of disposition notification.** A debtor may waive the  
16 right to notification of disposition of collateral under RCW  
17 62A.9A-611 only by an agreement to that effect entered into and  
18 (~~authenticated~~) signed after default.

19 (b) **Waiver of mandatory disposition.** A debtor may waive the right  
20 to require disposition of collateral under RCW 62A.9A-620(e) only by  
21 an agreement to that effect entered into and (~~authenticated~~) signed  
22 after default.

23 (c) **Waiver of redemption right.** Except in a consumer-goods  
24 transaction, a debtor or secondary obligor may waive the right to  
25 redeem collateral under RCW 62A.9A-623 only by an agreement to that  
26 effect entered into and (~~authenticated~~) signed after default.

27 **Sec. 950.** RCW 62A.9A-628 and 2011 c 74 s 727 are each amended to  
28 read as follows:

29 (a) **Limitation of liability of secured party for noncompliance**  
30 **with article.** (~~Unless~~) Subject to subsection (f) of this section,  
31 unless a secured party knows that a person is a debtor or obligor,  
32 knows the identity of the person, and knows how to communicate with  
33 the person:

34 (1) The secured party is not liable to the person, or to a  
35 secured party or lienholder that has filed a financing statement  
36 against the person, for failure to comply with this Article; and

37 (2) The secured party's failure to comply with this Article does  
38 not affect the liability of the person for a deficiency.



1 (b) **Limitation of liability based on status as secured party.**

2 ((A)) Subject to subsection (f) of this section, a secured party is  
3 not liable because of its status as secured party:

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

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

7 (B) The identity of the person; and

8 (C) How to communicate with the person; or

9 (2) To a secured party or lienholder that has filed a financing  
10 statement against a person, unless the secured party knows:

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

12 (B) The identity of the person.

13 (c) **Limitation of liability if reasonable belief that transaction**  
14 **not a consumer-goods transaction or consumer transaction.** A secured  
15 party is not liable to any person, and a person's liability for a  
16 deficiency is not affected, because of any act or omission arising  
17 out of the secured party's reasonable belief that a transaction is  
18 not a consumer-goods transaction or a consumer transaction or that  
19 goods are not consumer goods, if the secured party's belief is based  
20 on its reasonable reliance on:

21 (1) A debtor's representation concerning the purpose for which  
22 collateral was to be used, acquired, or held; or

23 (2) An obligor's representation concerning the purpose for which  
24 a secured obligation was incurred.

25 (d) **Limitation of liability for statutory damages.** A secured  
26 party is not liable to any person under RCW 62A.9A-625(c)(2) for its  
27 failure to comply with RCW 62A.9A-616.

28 (e) **Limitation of multiple liability for statutory damages.** A  
29 secured party is not liable under RCW 62A.9A-625(c)(2) more than once  
30 with respect to any one secured obligation.

31 (f) **Exception: Limitation of liability under subsections (a) and**  
32 **(b) of this section does not apply.** Subsections (a) and (b) of this  
33 section do not apply to limit the liability of a secured party to a  
34 person if, at the time the secured party obtains control of  
35 collateral that is a controllable account, controllable electronic  
36 record, or controllable payment intangible or at the time the  
37 security interest attaches to the collateral, whichever is later:

38 (1) The person is a debtor or obligor; and

39 (2) The secured party knows that the information in subsection  
40 (b)(1)(A), (B), or (C) of this section relating to the person is not

1 provided by the collateral, a record attached to or logically  
2 associated with the collateral, or the system in which the collateral  
3 is recorded.

4 **PART X**

5 **ARTICLE 12**

6 **CONTROLLABLE ELECTRONIC RECORDS**

7 NEW SECTION. **Sec. 1001.** SECTION 12-101: TITLE. This Article may  
8 be cited as uniform commercial code—controllable electronic records.

9 NEW SECTION. **Sec. 1002.** SECTION 12-102: DEFINITIONS. (a)  
10 **Article 12 definitions.** In this Article:

11 (1) "Controllable electronic record" means a record stored in an  
12 electronic medium that can be subjected to control under section 1005  
13 of this act. The term does not include a controllable account, a  
14 controllable payment intangible, a deposit account, an electronic  
15 copy of a record evidencing chattel paper, an electronic document of  
16 title, electronic money, investment property, or a transferable  
17 record.

18 (2) "Qualifying purchaser" means a purchaser of a controllable  
19 electronic record or an interest in a controllable electronic record  
20 that obtains control of the controllable electronic record for value,  
21 in good faith, and without notice of a claim of a property right in  
22 the controllable electronic record.

23 (3) "Transferable record" has the meaning provided for that term  
24 in:

25 (A) Section 201(a)(1) of the electronic signatures in global and  
26 national commerce act, 15 U.S.C. Sec. 7021(a)(1); or

27 (B) RCW 1.80.150(1).

28 (4) "Value" has the meaning provided in RCW 62A.3-303(a), as if  
29 references in that subsection to an "instrument" were references to a  
30 controllable account, controllable electronic record, or controllable  
31 payment intangible.

32 (b) **Definitions in Article 9A.** The definitions in Article 9A of  
33 this title of "account debtor," "controllable account," "controllable  
34 payment intangible," "chattel paper," "deposit account," "electronic  
35 money," and "investment property" apply to this Article.

1 (c) **Article 1 definitions and principles.** Article 1 of this title  
2 contains general definitions and principles of construction and  
3 interpretation applicable throughout this Article.

4 NEW SECTION. **Sec. 1003.** SECTION 12-103: RELATION TO ARTICLE 9  
5 AND CONSUMER LAWS. (a) **Article 9A governs in case of conflict.** If  
6 there is conflict between this Article and Article 9A of this title,  
7 Article 9A of this title governs.

8 (b) **Applicable consumer law and other laws.** A transaction subject  
9 to this Article is subject to any applicable rule of law that  
10 establishes a different rule for consumers and chapter 19.86 RCW.

11 NEW SECTION. **Sec. 1004.** SECTION 12-104: RIGHTS IN CONTROLLABLE  
12 ACCOUNT, CONTROLLABLE ELECTRONIC RECORD, AND CONTROLLABLE PAYMENT  
13 INTANGIBLE. (a) **Applicability of section to controllable account and**  
14 **controllable payment intangible.** This section applies to the  
15 acquisition and purchase of rights in a controllable account or  
16 controllable payment intangible, including the rights and benefits  
17 under subsections (c), (d), (e), (g), and (h) of this section of a  
18 purchaser and qualifying purchaser, in the same manner this section  
19 applies to a controllable electronic record.

20 (b) **Control of controllable account and controllable payment**  
21 **intangible.** To determine whether a purchaser of a controllable  
22 account or a controllable payment intangible is a qualifying  
23 purchaser, the purchaser obtains control of the account or payment  
24 intangible if it obtains control of the controllable electronic  
25 record that evidences the account or payment intangible.

26 (c) **Applicability of other law to acquisition of rights.** Except  
27 as provided in this section, law other than this Article determines  
28 whether a person acquires a right in a controllable electronic record  
29 and the right the person acquires.

30 (d) **Shelter principle and purchase of limited interest.** A  
31 purchaser of a controllable electronic record acquires all rights in  
32 the controllable electronic record that the transferor had or had  
33 power to transfer, except that a purchaser of a limited interest in a  
34 controllable electronic record acquires rights only to the extent of  
35 the interest purchased.

36 (e) **Rights of qualifying purchaser.** A qualifying purchaser  
37 acquires its rights in the controllable electronic record free of a  
38 claim of a property right in the controllable electronic record.

1 (f) **Limitation of rights of qualifying purchaser in other**  
2 **property.** Except as provided in subsections (a) and (e) of this  
3 section for a controllable account and a controllable payment  
4 intangible or law other than this Article, a qualifying purchaser  
5 takes a right to payment, right to performance, or other interest in  
6 property evidenced by the controllable electronic record subject to a  
7 claim of a property right in the right to payment, right to  
8 performance, or other interest in property.

9 (g) **No-action protection for qualifying purchaser.** An action may  
10 not be asserted against a qualifying purchaser based on both a  
11 purchase by the qualifying purchaser of a controllable electronic  
12 record and a claim of a property right in another controllable  
13 electronic record, whether the action is framed in conversion,  
14 replevin, constructive trust, equitable lien, or other theory.

15 (h) **Filing not notice.** Filing of a financing statement under  
16 Article 9A of this title is not notice of a claim of a property right  
17 in a controllable electronic record.

18 NEW SECTION. **Sec. 1005.** SECTION 12-105: CONTROL OF CONTROLLABLE  
19 ELECTRONIC RECORD. (a) **General rule: Control of controllable**  
20 **electronic record.** A person has control of a controllable electronic  
21 record if the electronic record, a record attached to or logically  
22 associated with the electronic record, or a system in which the  
23 electronic record is recorded:

24 (1) Gives the person:

25 (A) Power to avail itself of substantially all the benefit from  
26 the electronic record; and

27 (B) Exclusive power, subject to subsection (b) of this section,  
28 to:

29 (i) Prevent others from availing themselves of substantially all  
30 the benefit from the electronic record; and

31 (ii) Transfer control of the electronic record to another person  
32 or cause another person to obtain control of another controllable  
33 electronic record as a result of the transfer of the electronic  
34 record; and

35 (2) Enables the person readily to identify itself in any way,  
36 including by name, identifying number, cryptographic key, office, or  
37 account number, as having the powers specified in (1) of this  
38 subsection.

1 (b) **Meaning of exclusive.** Subject to subsection (c) of this  
2 section, a power is exclusive under subsection (a)(1)(B)(i) and (ii)  
3 of this section even if:

4 (1) The controllable electronic record, a record attached to or  
5 logically associated with the electronic record, or a system in which  
6 the electronic record is recorded limits the use of the electronic  
7 record or has a protocol programmed to cause a change, including a  
8 transfer or loss of control or a modification of benefits afforded by  
9 the electronic record; or

10 (2) The power is shared with another person.

11 (c) **When power not shared with another person.** A power of a  
12 person is not shared with another person under subsection (b)(2) of  
13 this section and the person's power is not exclusive if:

14 (1) The person can exercise the power only if the power also is  
15 exercised by the other person; and

16 (2) The other person:

17 (A) Can exercise the power without exercise of the power by the  
18 person; or

19 (B) Is the transferor to the person of an interest in the  
20 controllable electronic record or a controllable account or  
21 controllable payment intangible evidenced by the controllable  
22 electronic record.

23 (d) **Presumption of exclusivity of certain powers.** If a person has  
24 the powers specified in subsection (a)(1)(B)(i) and (ii) of this  
25 section, the powers are presumed to be exclusive.

26 (e) **Control through another person.** A person has control of a  
27 controllable electronic record if another person, other than the  
28 transferor to the person of an interest in the controllable  
29 electronic record or a controllable account or controllable payment  
30 intangible evidenced by the controllable electronic record:

31 (1) Has control of the electronic record and acknowledges that it  
32 has control on behalf of the person; or

33 (2) Obtains control of the electronic record after having  
34 acknowledged that it will obtain control of the electronic record on  
35 behalf of the person.

36 (f) **No requirement to acknowledge.** A person that has control  
37 under this section is not required to acknowledge that it has control  
38 on behalf of another person.

39 (g) **No duties or confirmation.** If a person acknowledges that it  
40 has or will obtain control on behalf of another person, unless the

1 person otherwise agrees or law other than this Article or Article 9A  
2 of this title otherwise provides, the person does not owe any duty to  
3 the other person and is not required to confirm the acknowledgment to  
4 any other person.

5 NEW SECTION. **Sec. 1006.** SECTION 12-106: DISCHARGE OF ACCOUNT  
6 DEBTOR ON CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE.

7 (a) **Discharge of account debtor.** An account debtor on a controllable  
8 account or controllable payment intangible may discharge its  
9 obligation by paying:

10 (1) The person having control of the controllable electronic  
11 record that evidences the controllable account or controllable  
12 payment intangible; or

13 (2) Except as provided in subsection (b) of this section, a  
14 person that formerly had control of the controllable electronic  
15 record.

16 (b) **Content and effect of notification.** Subject to subsection (d)  
17 of this section, the account debtor may not discharge its obligation  
18 by paying a person that formerly had control of the controllable  
19 electronic record if the account debtor receives a notification that:

20 (1) Is signed by a person that formerly had control or the person  
21 to which control was transferred;

22 (2) Reasonably identifies the controllable account or  
23 controllable payment intangible;

24 (3) Notifies the account debtor that control of the controllable  
25 electronic record that evidences the controllable account or  
26 controllable payment intangible was transferred;

27 (4) Identifies the transferee, in any reasonable way, including  
28 by name, identifying number, cryptographic key, office, or account  
29 number; and

30 (5) Provides a commercially reasonable method by which the  
31 account debtor is to pay the transferee.

32 (c) **Discharge following effective notification.** After receipt of  
33 a notification that complies with subsection (b) of this section, the  
34 account debtor may discharge its obligation by paying in accordance  
35 with the notification and may not discharge the obligation by paying  
36 a person that formerly had control.

37 (d) **When notification ineffective.** Subject to subsection (h) of  
38 this section, notification is ineffective under subsection (b) of  
39 this section:

1 (1) Unless, before the notification is sent, the account debtor  
2 and the person that, at that time, had control of the controllable  
3 electronic record that evidences the controllable account or  
4 controllable payment intangible agree in a signed record to a  
5 commercially reasonable method by which a person may furnish  
6 reasonable proof that control has been transferred;

7 (2) To the extent an agreement between the account debtor and  
8 seller of a payment intangible limits the account debtor's duty to  
9 pay a person other than the seller and the limitation is effective  
10 under law other than this Article; or

11 (3) At the option of the account debtor, if the notification  
12 notifies the account debtor to:

13 (A) Divide a payment;

14 (B) Make less than the full amount of an installment or other  
15 periodic payment; or

16 (C) Pay any part of a payment by more than one method or to more  
17 than one person.

18 (e) **Proof of transfer of control.** Subject to subsection (h) of  
19 this section, if requested by the account debtor, the person giving  
20 the notification under subsection (b) of this section seasonably  
21 shall furnish reasonable proof, using the method in the agreement  
22 referred to in subsection (d)(1) of this section, that control of the  
23 controllable electronic record has been transferred. Unless the  
24 person complies with the request, the account debtor may discharge  
25 its obligation by paying a person that formerly had control, even if  
26 the account debtor has received a notification under subsection (b)  
27 of this section.

28 (f) **What constitutes reasonable proof.** A person furnishes  
29 reasonable proof under subsection (e) of this section that control  
30 has been transferred if the person demonstrates, using the method in  
31 the agreement referred to in subsection (d)(1) of this section, that  
32 the transferee has the power to:

33 (1) Avail itself of substantially all the benefit from the  
34 controllable electronic record;

35 (2) Prevent others from availing themselves of substantially all  
36 the benefit from the controllable electronic record; and

37 (3) Transfer the powers specified in (1) and (2) of this  
38 subsection to another person.

39 (g) **Rights not waivable.** Subject to subsection (h) of this  
40 section, an account debtor may not waive or vary its rights under

1 subsections (d)(1) and (e) of this section or its option under  
2 subsection (d)(3) of this section.

3 (h) **Rule for individual under other law.** This section is subject  
4 to law other than this Article which establishes a different rule for  
5 an account debtor who is an individual and who incurred the  
6 obligation primarily for personal, family, or household purposes.

7 NEW SECTION. **Sec. 1007.** SECTION 12-107: GOVERNING LAW. (a)  
8 **Governing law: General rule.** Except as provided in subsection (b) of  
9 this section, the local law of a controllable electronic record's  
10 jurisdiction governs a matter covered by this Article.

11 (b) **Governing law: Section 1006 of this act.** For a controllable  
12 electronic record that evidences a controllable account or  
13 controllable payment intangible, the local law of the controllable  
14 electronic record's jurisdiction governs a matter covered by section  
15 1006 of this act unless an effective agreement determines that the  
16 local law of another jurisdiction governs.

17 (c) **Controllable electronic record's jurisdiction.** The following  
18 rules determine a controllable electronic record's jurisdiction under  
19 this section:

20 (1) If the controllable electronic record, or a record attached  
21 to or logically associated with the controllable electronic record  
22 and readily available for review, expressly provides that a  
23 particular jurisdiction is the controllable electronic record's  
24 jurisdiction for purposes of this Article or this title, that  
25 jurisdiction is the controllable electronic record's jurisdiction.

26 (2) If (1) of this subsection does not apply and the rules of the  
27 system in which the controllable electronic record is recorded are  
28 readily available for review and expressly provide that a particular  
29 jurisdiction is the controllable electronic record's jurisdiction for  
30 purposes of this Article or this title, that jurisdiction is the  
31 controllable electronic record's jurisdiction.

32 (3) If (1) and (2) of this subsection do not apply and the  
33 controllable electronic record, or a record attached to or logically  
34 associated with the controllable electronic record and readily  
35 available for review, expressly provides that the controllable  
36 electronic record is governed by the law of a particular  
37 jurisdiction, that jurisdiction is the controllable electronic  
38 record's jurisdiction.



1 (4) If (1), (2), and (3) of this subsection do not apply and the  
2 rules of the system in which the controllable electronic record is  
3 recorded are readily available for review and expressly provide that  
4 the controllable electronic record or the system is governed by the  
5 law of a particular jurisdiction, that jurisdiction is the  
6 controllable electronic record's jurisdiction.

7 (5) If (1) through (4) of this subsection do not apply, the  
8 controllable electronic record's jurisdiction is the District of  
9 Columbia.

10 (d) **Applicability of Article 12.** If subsection (c)(5) of this  
11 section applies and this Article 12 is not in effect in the District  
12 of Columbia without material modification, the governing law for a  
13 matter covered by this Article is the law of the District of Columbia  
14 as though Article 12 were in effect in the District of Columbia  
15 without material modification. In this subsection, "Article 12" means  
16 Article 12 of Uniform Commercial Code Amendments (2022).

17 (e) **Relation of matter or transaction to controllable electronic**  
18 **record's jurisdiction not necessary.** To the extent subsections (a)  
19 and (b) of this section provide that the local law of the  
20 controllable electronic record's jurisdiction governs a matter  
21 covered by this Article, that law governs even if the matter or a  
22 transaction to which the matter relates does not bear any relation to  
23 the controllable electronic record's jurisdiction.

24 (f) **Rights of purchasers determined at time of purchase.** The  
25 rights acquired under section 1004 of this act by a purchaser or  
26 qualifying purchaser are governed by the law applicable under this  
27 section at the time of purchase.

28 **PART XI**

29 **ARTICLE A**

30 **TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL CODE**

31 **AMENDMENTS (2022)**

32 **GENERAL PROVISIONS AND DEFINITIONS**

33 NEW SECTION. **Sec. 1101.** SECTION A-101: TITLE. This Article may  
34 be cited as transitional provisions for Uniform Commercial Code  
35 Amendments (2022).

36 NEW SECTION. **Sec. 1102.** SECTION A-102: DEFINITIONS. (a) **Article**  
37 **A Definitions.** In this article:

1 (1) "Adjustment date" means July 1, 2025, or the date that is one  
2 year after the effective date of this section, whichever is later.

3 (2) "Article 12" means Article -- of this title (the new Article  
4 created by section 1202 of this act).

5 (3) "Article 12 property" means a controllable account,  
6 controllable electronic record, or controllable payment intangible.

7 (b) **Definitions in other articles.** The following definitions in  
8 other articles of this title apply to this Article.

9 "Controllable account." RCW 62A.9A-102.

10 "Controllable electronic record." Section 1002 of this act.

11 "Controllable payment intangible." RCW 62A.9A-102.

12 "Electronic money." RCW 62A.9A-102.

13 "Financing statement." RCW 62A.9A-102.

14 (c) **Article 1 definitions and principles.** Article 1 of this title  
15 contains general definitions and principles of construction and  
16 interpretation applicable throughout this Article.

#### 17 **GENERAL TRANSITIONAL PROVISION**

18 NEW SECTION. **Sec. 1103.** SECTION A-201: SAVING CLAUSE. Except as  
19 provided in sections 1104 through 1109 of this act, a transaction  
20 validly entered into before the effective date of this section and  
21 the rights, duties, and interests flowing from the transaction remain  
22 valid thereafter and may be terminated, completed, consummated, or  
23 enforced as required or permitted by law other than this title or, if  
24 applicable, this title, as though this act had not taken effect.

#### 25 **TRANSITIONAL PROVISIONS FOR ARTICLES 9A AND 12**

26 NEW SECTION. **Sec. 1104.** SECTION A-301: SAVING CLAUSE. (a)  
27 **Preeffective-date transaction, lien, or interest.** Except as provided  
28 in this part, Article 9A of this title as amended by this act and  
29 Article 12 apply to a transaction, lien, or other interest in  
30 property, even if the transaction, lien, or interest was entered  
31 into, created, or acquired before the effective date of this section.

32 (b) **Continuing validity.** Except as provided in subsection (c) of  
33 this section and sections 1005 through 1109 of this act:

34 (1) A transaction, lien, or interest in property that was validly  
35 entered into, created, or transferred before the effective date of  
36 this section and was not governed by this title, but would be subject

1 to Article 9A of this title as amended by this act or Article 12 if  
2 it had been entered into, created, or transferred on or after the  
3 effective date of this section, including the rights, duties, and  
4 interests flowing from the transaction, lien, or interest, remains  
5 valid on and after the effective date of this section; and

6 (2) The transaction, lien, or interest may be terminated,  
7 completed, consummated, and enforced as required or permitted by this  
8 act or by the law that would apply if this act had not taken effect.

9 (c) **Preeffective-date proceeding.** This act does not affect an  
10 action, case, or proceeding commenced before the effective date of  
11 this section.

12 NEW SECTION. **Sec. 1105.** SECTION A-302: SECURITY INTEREST  
13 PERFECTED BEFORE EFFECTIVE DATE. (a) **Continuing perfection:**  
14 **Perfection requirements satisfied.** A security interest that is  
15 enforceable and perfected immediately before the effective date of  
16 this section is a perfected security interest under this act if, on  
17 the effective date of this section, the requirements for  
18 enforceability and perfection under this act are satisfied without  
19 further action.

20 (b) **Continuing perfection: Enforceability or perfection**  
21 **requirements not satisfied.** If a security interest is enforceable and  
22 perfected immediately before the effective date of this section, but  
23 the requirements for enforceability or perfection under this act are  
24 not satisfied on the effective date of this section, the security  
25 interest:

26 (1) Is a perfected security interest until the earlier of the  
27 time perfection would have ceased under the law in effect immediately  
28 before the effective date of this section or the adjustment date;

29 (2) Remains enforceable thereafter only if the security interest  
30 satisfies the requirements for enforceability under RCW 62A.9A-203,  
31 as amended by this act, before the adjustment date; and

32 (3) Remains perfected thereafter only if the requirements for  
33 perfection under this act are satisfied before the time specified in  
34 (1) of this subsection.

35 NEW SECTION. **Sec. 1106.** SECTION A-303: SECURITY INTEREST  
36 UNPERFECTED BEFORE EFFECTIVE DATE. A security interest that is  
37 enforceable immediately before the effective date of this section but  
38 is unperfected at that time:

1 (a) Remains an enforceable security interest until the adjustment  
2 date;

3 (b) Remains enforceable thereafter if the security interest  
4 becomes enforceable under RCW 62A.9A-203, as amended by this act, on  
5 the effective date of this section or before the adjustment date; and

6 (c) Becomes perfected:

7 (1) Without further action, on the effective date of this section  
8 if the requirements for perfection under this act are satisfied  
9 before or at that time; or

10 (2) When the requirements for perfection are satisfied if the  
11 requirements are satisfied after that time.

12 NEW SECTION. **Sec. 1107.** SECTION A-304: EFFECTIVENESS OF ACTIONS  
13 TAKEN BEFORE EFFECTIVE DATE. (a) **Preeffective-date action; attachment**  
14 **and perfection before adjustment date.** If action, other than the  
15 filing of a financing statement, is taken before the effective date  
16 of this section and the action would have resulted in perfection of  
17 the security interest had the security interest become enforceable  
18 before the effective date of this section, the action is effective to  
19 perfect a security interest that attaches under this act before the  
20 adjustment date. An attached security interest becomes unperfected on  
21 the adjustment date unless the security interest becomes a perfected  
22 security interest under this act before the adjustment date.

23 (b) **Preeffective-date filing.** The filing of a financing statement  
24 before the effective date of this section is effective to perfect a  
25 security interest on the effective date of this section to the extent  
26 the filing would satisfy the requirements for perfection under this  
27 act.

28 (c) **Preeffective-date enforceability action.** The taking of an  
29 action before the effective date of this section is sufficient for  
30 the enforceability of a security interest on the effective date of  
31 this section if the action would satisfy the requirements for  
32 enforceability under this act.

33 NEW SECTION. **Sec. 1108.** SECTION A-305: PRIORITY. (a)  
34 **Determination of priority.** Subject to subsections (b) and (c) of this  
35 section, this act determines the priority of conflicting claims to  
36 collateral.

37 (b) **Established priorities.** Subject to subsection (c) of this  
38 section, if the priorities of claims to collateral were established

1 before the effective date of this section, Article 9A of this title  
2 as in effect before the effective date of this section determines  
3 priority.

4 (c) **Determination of certain priorities on adjustment date.** On  
5 the adjustment date, to the extent the priorities determined by  
6 Article 9A of this title as amended by this act modify the priorities  
7 established before the effective date of this section, the priorities  
8 of claims to Article 12 property and electronic money established  
9 before the effective date of this section cease to apply.

10 NEW SECTION. **Sec. 1109.** SECTION A-306: PRIORITY OF CLAIMS WHEN  
11 PRIORITY RULES OF ARTICLE 9A DO NOT APPLY. (a) **Determination of**  
12 **priority.** Subject to subsections (b) and (c) of this section, Article  
13 12 determines the priority of conflicting claims to Article 12  
14 property when the priority rules of Article 9A of this title as  
15 amended by this act do not apply.

16 (b) **Established priorities.** Subject to subsection (c) of this  
17 section, when the priority rules of Article 9A of this title as  
18 amended by this act do not apply and the priorities of claims to  
19 Article 12 property were established before the effective date of  
20 this section, law other than Article 12 determines priority.

21 (c) **Determination of certain priorities on adjustment date.** When  
22 the priority rules of Article 9A of this title as amended by this act  
23 do not apply, to the extent the priorities determined by this act  
24 modify the priorities established before the effective date of this  
25 section, the priorities of claims to Article 12 property established  
26 before the effective date of this section cease to apply on the  
27 adjustment date.

28 **PART XII**

29 NEW SECTION. **Sec. 1201.** Nothing in this act may be construed to  
30 support, endorse, create, or implement a national digital currency.

31 NEW SECTION. **Sec. 1202.** Sections 1001 through 1007 of this act  
32 constitute a new Article in Title 62A RCW.

33 NEW SECTION. **Sec. 1203.** Sections 1101 through 1109 of this act  
34 constitute a new Article in Title 62A RCW.

1        NEW SECTION.    **Sec. 1204.**    This act takes effect January 1, 2024."

2        Correct the title.

EFFECT: Specifies that nothing in the bill may be construed to support, endorse, create, or implement a national digital currency.

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