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**SUBSTITUTE SENATE BILL 5077**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senate Law & Justice (originally sponsored by Senators Pedersen and Wagoner; by request of Uniform Law Commission)

READ FIRST TIME 02/07/23.

1 AN ACT Relating to the uniform commercial code; amending RCW  
2 62A.1-201, 62A.1-204, 62A.1-301, 62A.1-306, 62A.2-102, 62A.2-106,  
3 62A.2-201, 62A.2-202, 62A.2-203, 62A.2-205, 62A.2-209, 62A.2A-102,  
4 62A.2A-103, 62A.2A-107, 62A.2A-201, 62A.2A-202, 62A.2A-203,  
5 62A.2A-205, 62A.2A-208, 62A.3-104, 62A.3-105, 62A.3-401, 62A.3-604,  
6 62A.4A-103, 62A.4A-201, 62A.4A-202, 62A.4A-203, 62A.4A-207,  
7 62A.4A-208, 62A.4A-210, 62A.4A-211, 62A.4A-305, 62A.5-104, 62A.5-116,  
8 62A.7-102, 62A.7-106, 62A.8-102, 62A.8-103, 62A.8-106, 62A.8-110,  
9 62A.8-303, 62A.9A-102, 62A.9A-104, 62A.9A-105, 62A.9A-203,  
10 62A.9A-204, 62A.9A-207, 62A.9A-208, 62A.9A-209, 62A.9A-210,  
11 62A.9A-301, 62A.9A-304, 62A.9A-305, 62A.9A-310, 62A.9A-312,  
12 62A.9A-313, 62A.9A-314, 62A.9A-316, 62A.9A-317, 62A.9A-323,  
13 62A.9A-324, 62A.9A-330, 62A.9A-331, 62A.9A-332, 62A.9A-334,  
14 62A.9A-341, 62A.9A-404, 62A.9A-406, 62A.9A-408, 62A.9A-509,  
15 62A.9A-513, 62A.9A-601, 62A.9A-605, 62A.9A-608, 62A.9A-611,  
16 62A.9A-613, 62A.9A-614, 62A.9A-615, 62A.9A-616, 62A.9A-619,  
17 62A.9A-620, 62A.9A-621, 62A.9A-624, and 62A.9A-628; adding new  
18 sections to Article 9A of Title 62A RCW; adding new articles to Title  
19 62A RCW; and providing an effective date.

20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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**PART I**

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

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

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

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

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

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

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

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

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

28       (7) "Branch" includes a separately incorporated foreign branch of  
29 a bank.

30       (8) "Burden of establishing" a fact means the burden of  
31 persuading the trier of fact that the existence of the fact is more  
32 probable than its nonexistence.

33       (9) "Buyer in ordinary course of business" means a person that  
34 buys goods in good faith, without knowledge that the sale violates  
35 the rights of another person in the goods, and in the ordinary course  
36 from a person, other than a pawnbroker, in the business of selling  
37 goods of that kind. A person buys goods in the ordinary course if the  
38 sale to the person comports with the usual or customary practices in  
39 the kind of business in which the seller is engaged or with the  
40 seller's own usual or customary practices. A person that sells oil,

1 gas, or other minerals at the wellhead or minehead is a person in the  
2 business of selling goods of that kind. A buyer in ordinary course of  
3 business may buy for cash, by exchange of other property, or on  
4 secured or unsecured credit, and may acquire goods or documents of  
5 title under a preexisting contract for sale. Only a buyer that takes  
6 possession of the goods or has a right to recover the goods from the  
7 seller under Article 2 of this title may be a buyer in ordinary  
8 course of business. "Buyer in ordinary course of business" does not  
9 include a person that acquires goods in a transfer in bulk or as  
10 security for or in total or partial satisfaction of a money debt.

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

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

19 ~~(B) Language in the body of a record or display in larger type~~  
20 ~~than the surrounding text, or in contrasting type, font, or color to~~  
21 ~~the surrounding text of the same size, or set off from surrounding~~  
22 ~~text of the same size by symbols or other marks that call attention~~  
23 ~~to the language.))~~

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

26 (12) "Contract," as distinguished from "agreement," means the  
27 total legal obligation that results from the parties' agreement as  
28 determined by this title as supplemented by any other applicable  
29 laws.

30 (13) "Creditor" includes a general creditor, a secured creditor,  
31 a lien creditor, and any representative of creditors, including an  
32 assignee for the benefit of creditors, a trustee in bankruptcy, a  
33 receiver in equity, and an executor or administrator of an insolvent  
34 debtor's or assignor's estate.

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

37 (15) "Delivery," with respect to an electronic document of title, l  
38 means voluntary transfer of control and l with respect to an  
39 instrument, a tangible document of title, or an authoritative

1 tangible copy of a record evidencing chattel paper, means voluntary  
2 transfer of possession.

3 (16) "Document of title" means a record (i) that in the regular  
4 course of business or financing is treated as adequately evidencing  
5 that the person in possession or control of the record is entitled to  
6 receive, control, hold, and dispose of the record and the goods the  
7 record covers and (ii) that purports to be issued by or addressed to  
8 a bailee and to cover goods in the bailee's possession which are  
9 either identified or are fungible portions of an identified mass. The  
10 term includes a bill of lading, transport document, dock warrant,  
11 dock receipt, warehouse receipt, and order for delivery of goods. An  
12 electronic document of title means a document of title evidenced by a  
13 record consisting of information stored in an electronic medium. A  
14 tangible document of title means a document of title evidenced by a  
15 record consisting of information that is inscribed on a tangible  
16 medium.

17 (16A) "Electronic" means relating to technology having  
18 electrical, digital, magnetic, wireless, optical, electromagnetic, or  
19 similar capabilities.

20 (17) "Fault" means a default, breach, or wrongful act or  
21 omission.

22 (18) "Fungible goods" means:

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

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

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

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

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

31 (A) The person in possession of a negotiable instrument that is  
32 payable either to bearer or to an identified person that is the  
33 person in possession;

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

37 (C) The person in control, other than pursuant to RCW  
38 62A.7-106(g), of a negotiable electronic document of title.

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

4 (23) "Insolvent" means:

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

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

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

9 (24) "Money" means a medium of exchange that is currently  
10 authorized or adopted by a domestic or foreign government. The term  
11 includes a monetary unit of account established by an  
12 intergovernmental organization or by agreement between two or more  
13 countries. The term does not include an electronic record that is a  
14 medium of exchange recorded and transferable in a system that existed  
15 and operated for the medium of exchange before the medium of exchange  
16 was authorized or adopted by the government.

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

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

21 (27) "Person" means an individual, corporation, business trust,  
22 estate, trust, partnership, limited liability company, association,  
23 joint venture, government, governmental subdivision, agency, or  
24 instrumentality, (~~(public corporation,)~~) or any other legal or  
25 commercial entity. The term includes a protected series, however  
26 denominated, of an entity if the protected series is established  
27 under law other than this title that limits, or limits if conditions  
28 specified under the law are satisfied, the ability of a creditor of  
29 the entity or of any other protected series of the entity to satisfy  
30 a claim from assets of the protected series.

31 (28) "Present value" means the amount as of a date certain of one  
32 or more sums payable in the future, discounted to the date certain by  
33 use of either an interest rate specified by the parties if that rate  
34 is not manifestly unreasonable at the time the transaction is entered  
35 into or, if an interest rate is not so specified, a commercially  
36 reasonable rate that takes into account the facts and circumstances  
37 at the time the transaction is entered into.

38 (29) "Purchase" means taking by sale, lease, discount,  
39 negotiation, mortgage, pledge, lien, security interest, issue or

1 reissue, gift, or any other voluntary transaction creating an  
2 interest in property.

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

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

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

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

12 (34) "Right" includes remedy.

13 (35) "Security interest" means an interest in personal property  
14 or fixtures which secures payment or performance of an obligation.  
15 "Security interest" includes any interest of a consignor and a buyer  
16 of accounts, chattel paper, a payment intangible, or a promissory  
17 note in a transaction that is subject to Article 9A of this title.  
18 "Security interest" does not include the special property interest of  
19 a buyer of goods on identification of those goods to a contract for  
20 sale under RCW 62A.2-401, but a buyer may also acquire a "security  
21 interest" by complying with Article 9A of this title. Except as  
22 otherwise provided in RCW 62A.2-505, the right of a seller or lessor  
23 of goods under Article 2 or 2A of this title to retain or acquire  
24 possession of the goods is not a "security interest," but a seller or  
25 lessor may also acquire a "security interest" by complying with  
26 Article 9A of this title. The retention or reservation of title by a  
27 seller of goods notwithstanding shipment or delivery to the buyer  
28 under RCW 62A.2-401 is limited in effect to a reservation of a  
29 "security interest." Whether a transaction in the form of a lease  
30 creates a "security interest" is determined pursuant to RCW  
31 62A.1-203.

32 (36) "Send<sub>L</sub>" in connection with a (~~writing~~) record(~~(T)~~) or  
33 (~~notice~~) notification, means:

34 (A) To deposit in the mail (~~(or)~~)<sub>L</sub> deliver for transmission<sub>L</sub> or  
35 transmit by any other usual means of communication<sub>L</sub> with postage or  
36 cost of transmission provided for (~~and properly addressed and, in~~  
37 ~~the case of an instrument, to an address specified thereon or~~  
38 ~~otherwise agreed, or if there be none~~), addressed to any address  
39 reasonable under the circumstances; or

1 (B) (~~In any other way to cause to be received any record or~~  
2 ~~notice within the time it would have arrived if properly sent~~) to  
3 cause the record or notification to be received within the time it  
4 would have been received if properly sent under (36)(A) of this  
5 subsection.

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

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

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

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

13 (38) "State" means a State of the United States, the District of  
14 Columbia, Puerto Rico, the United States Virgin Islands, or any  
15 territory or insular possession subject to the jurisdiction of the  
16 United States.

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

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

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

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

24 (43) "Writing" includes printing, typewriting, or any other  
25 intentional reduction to tangible form. "Written" has a corresponding  
26 meaning.

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

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

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

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

38 (3) By accepting delivery under a preexisting contract for  
39 purchase; or

1 (4) In return for any consideration sufficient to support a  
2 simple contract.

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

5 (a) Except as otherwise provided in this section, when a  
6 transaction bears a reasonable relation to this state and also to  
7 another state or nation the parties may agree that the law either of  
8 this state or of such other state or nation shall govern their rights  
9 and duties.

10 (b) In the absence of an agreement effective under subsection (a)  
11 of this section, and except as provided in subsection (c) of this  
12 section, this title applies to transactions bearing an appropriate  
13 relation to this state.

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

- 17 (1) RCW 62A.2-402;  
18 (2) RCW 62A.2A-105 and 62A.2A-106;  
19 (3) RCW 62A.4-102;  
20 (4) RCW 62A.4A-507;  
21 (5) RCW 62A.5-116;  
22 (6) RCW 62A.8-110;  
23 (7) RCW 62A.9A-301 through 62A.9A-307; and  
24 (8) Section 1007 of this act.

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

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

30 **PART II**

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

33 ~~((Unless the context otherwise requires, this Article applies to~~  
34 ~~transactions in goods; it does not apply to any transaction which~~  
35 ~~although in the form of an unconditional contract to sell or present~~  
36 ~~sale is intended to operate only as a security transaction nor does~~

1 ~~this Article impair or repeal any statute regulating sales to~~  
2 ~~consumers, farmers or other specified classes of buyers.))~~ (1) Unless  
3 the context otherwise requires, and except as provided in subsection  
4 (3) of this section, this Article applies to transactions in goods  
5 and, in the case of a hybrid transaction, it applies to the extent  
6 provided in subsection (2) of this section.

7 (2) In a hybrid transaction:

8 (a) If the sale-of-goods aspects do not predominate, only the  
9 provisions of this Article which relate primarily to the sale-of-  
10 goods aspects of the transaction apply, and the provisions that  
11 relate primarily to the transaction as a whole do not apply.

12 (b) If the sale-of-goods aspects predominate, this Article  
13 applies to the transaction but does not preclude application in  
14 appropriate circumstances of other law to aspects of the transaction  
15 which do not relate to the sale of goods.

16 (3) This Article does not:

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

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

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

24 (1) In this Article unless the context otherwise requires  
25 "contract" and "agreement" are limited to those relating to the  
26 present or future sale of goods. "Contract for sale" includes both a  
27 present sale of goods and a contract to sell goods at a future time.  
28 A "sale" consists in the passing of title from the seller to the  
29 buyer for a price (RCW 62A.2-401). A "present sale" means a sale  
30 which is accomplished by the making of the contract.

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

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

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

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

7 (a) The provision of services;

8 (b) A lease of other goods; or

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

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

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

22 (2) Between merchants if within a reasonable time a (~~writing~~)  
23 record in confirmation of the contract and sufficient against the  
24 sender is received and the party receiving it has reason to know its  
25 contents, it satisfies the requirements of subsection (1) of this  
26 section against (~~such~~) the party unless (~~written~~) notice in a  
27 record of objection to its contents is given within (~~ten~~) 10 days  
28 after it is received.

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

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

38 (b) If the party against whom enforcement is sought admits in his  
39 or her pleading, testimony, or otherwise in court that a contract for

1 sale was made, but the contract is not enforceable under this  
2 provision beyond the quantity of goods admitted; or

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

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

7 Terms with respect to which the confirmatory memoranda of the  
8 parties agree or which are otherwise set forth in a ((writing))  
9 record intended by the parties as a final expression of their  
10 agreement with respect to such terms as are included therein may not  
11 be contradicted by evidence of any prior agreement or of a  
12 contemporaneous oral agreement but may be explained or supplemented:

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

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

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

20 The affixing of a seal to a ((writing)) record evidencing a  
21 contract for sale or an offer to buy or sell goods does not  
22 constitute the ((writing)) record a sealed instrument and the law  
23 with respect to sealed instruments does not apply to such contract or  
24 offer.

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

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

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

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

3 (2) A signed agreement which excludes modification or rescission  
4 except by a signed writing or other signed record cannot be otherwise  
5 modified or rescinded, but except as between merchants such a  
6 requirement on a form supplied by the merchant must be separately  
7 signed by the other party.

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

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

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

19 **PART III**

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

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

25 (2) In a hybrid lease:

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

27 (i) Only the provisions of this Article which relate primarily to  
28 the lease-of-goods aspects of the transaction apply, and the  
29 provisions that relate primarily to the transaction as a whole do not  
30 apply;

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

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

35 (b) If the lease-of-goods aspects predominate, this Article  
36 applies to the transaction, but does not preclude application in  
37 appropriate circumstances of other law to aspects of the lease which  
38 do not relate to the lease of goods.

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

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

4       (a) "Buyer in ordinary course of business" means a person who in  
5 good faith and without knowledge that the sale to him or her is in  
6 violation of the ownership rights or security interest or leasehold  
7 interest of a third party in the goods buys in ordinary course from a  
8 person in the business of selling goods of that kind but does not  
9 include a pawnbroker. "Buying" may be for cash, or by exchange of  
10 other property, or on secured or unsecured credit, and includes  
11 acquiring goods or documents of title under a preexisting contract  
12 for sale but does not include a transfer in bulk or as security for  
13 or in total or partial satisfaction of a money debt.

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

16       (c) "Commercial unit" means such a unit of goods as by commercial  
17 usage is a single whole for purposes of lease and division of which  
18 materially impairs its character or value on the market or in use. A  
19 commercial unit may be a single article, as a machine, or a set of  
20 articles, as a suite of furniture or a line of machinery, or a  
21 quantity, as a gross or carload, or any other unit treated in use or  
22 in the relevant market as a single whole.

23       (d) "Conforming" goods or performance under a lease contract  
24 means goods or performance that are in accordance with the  
25 obligations under the lease contract.

26       (e) "Consumer lease" means a lease that a lessor regularly  
27 engaged in the business of leasing or selling makes to a lessee who  
28 is an individual who takes under the lease primarily for a personal,  
29 family, or household purpose, if the total payments to be made under  
30 the lease contract, excluding payments for options to renew or buy,  
31 do not exceed twenty-five thousand dollars.

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

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

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

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

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

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

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

4 (C) The lessee, before signing the lease contract, receives an  
5 accurate and complete statement designating the promises and  
6 warranties, and any disclaimers of warranties, limitations or  
7 modifications of remedies, or liquidated damages, including those of  
8 a third party, such as the manufacturer of the goods, provided to the  
9 lessor by the person supplying the goods in connection with or as  
10 part of the contract by which the lessor acquired the goods or the  
11 right to possession and use of the goods.

12 (h) "Goods" means all things that are movable at the time of  
13 identification to the lease contract, or are fixtures (RCW  
14 62A.2A-309), but the term does not include money, documents,  
15 instruments, accounts, chattel paper, general intangibles, or  
16 minerals or the like, including oil and gas, before extraction. The  
17 term also includes the unborn young of animals.

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

20 (i) The provision of services;

21 (ii) A sale of other goods; or

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

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

27 (j) "Lease" means a transfer of the right to possession and use  
28 of goods for a term in return for consideration, but a sale,  
29 including a sale on approval or a sale or return, or retention or  
30 creation of a security interest is not a lease. Unless the context  
31 clearly indicates otherwise, the term includes a sublease.

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

38 (l) "Lease contract" means the total legal obligation that  
39 results from the lease agreement as affected by this Article and any

1 other applicable rules of law. Unless the context clearly indicates  
2 otherwise, the term includes a sublease contract.

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

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

8 (o) "Lessee in ordinary course of business" means a person who in  
9 good faith and without knowledge that the lease to him or her is in  
10 violation of the ownership rights or security interest or leasehold  
11 interest of a third party in the goods, leases in ordinary course  
12 from a person in the business of selling or leasing goods of that  
13 kind but does not include a pawnbroker. "Leasing" may be for cash, or  
14 by exchange of other property, or on secured or unsecured credit and  
15 includes acquiring goods or documents of title under a preexisting  
16 lease contract but does not include a transfer in bulk or as security  
17 for or in total or partial satisfaction of a money debt.

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

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

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

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

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

32 (u) "Present value" means the amount as of a date certain of one  
33 or more sums payable in the future, discounted to the date certain.  
34 The discount is determined by the interest rate specified by the  
35 parties if the rate was not manifestly unreasonable at the time the  
36 transaction was entered into; otherwise, the discount is determined  
37 by a commercially reasonable rate that takes into account the facts  
38 and circumstances of each case at the time the transaction was  
39 entered into.

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

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

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

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

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

14 (2) Other definitions applying to this Article or to specified  
15 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.

24 (3) The following definitions in other articles apply to this  
25 Article:

"Account."	RCW 62A.9A-102.
"Between merchants."	RCW 62A.2-104.
"Buyer."	RCW 62A.2-103.
"Chattel paper."	RCW 62A.9A-102.
"Consumer goods."	RCW 62A.9A-102.
"Document."	RCW 62A.9A-102.
"Entrusting."	RCW 62A.2-403.
"General intangible."	RCW 62A.9A-102.
"Instrument."	RCW 62A.9A-102.
"Merchant."	RCW 62A.2-104(1).
"Mortgage."	RCW 62A.9A-102.

1	"Pursuant to	
2	commitment."	RCW 62A.9A-102.
3	"Receipt."	RCW 62A.2-103.
4	"Sale."	RCW 62A.2-106.
5	"Sale on approval."	RCW 62A.2-326.
6	"Sale or return."	RCW 62A.2-326.
7	"Seller."	RCW 62A.2-103.

8 (4) In addition, Article 1 of this title contains general  
9 definitions and principles of construction and interpretation  
10 applicable throughout this Article.

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

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

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

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

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

24 (b) There is a (~~writing~~) record, signed by the party against  
25 whom enforcement is sought or by that party's authorized agent,  
26 sufficient to indicate that a lease contract has been made between  
27 the parties and to describe the goods leased and the lease term.

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

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

1 (4) A lease contract that 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 or obtained for  
5 the lessee and are not suitable for lease or sale to others in the  
6 ordinary course of the lessor's business, and the lessor, before  
7 notice of repudiation is received and under circumstances that  
8 reasonably indicate that the goods are for the lessee, has made  
9 either a substantial beginning of their manufacture or commitments  
10 for their procurement;

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

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

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

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

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

25 (c) A reasonable lease term.

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

28 Terms with respect to which the confirmatory memoranda of the  
29 parties agree or which are otherwise set forth in a (~~writing~~)  
30 record intended by the parties as a final expression of their  
31 agreement with respect to such terms as are included therein may not  
32 be contradicted by evidence of any prior agreement or of a  
33 contemporaneous oral agreement but may be explained or supplemented:

34 (1) By course of dealing or usage of trade or by course of  
35 performance; and

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



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

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

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

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

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

19 (c) An order that meets all of the requirements of subsection  
20 (a), except subsection (a)(1), and otherwise falls within the  
21 definition of "check" in subsection (f) is a negotiable instrument  
22 and a check.

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

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

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

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

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

1 (i) "Traveler's check" means an instrument that (i) is payable on  
2 demand, (ii) is drawn on or payable at or through a bank, (iii) is  
3 designated by the term "traveler's check" or by a substantially  
4 similar term, and (iv) requires, as a condition to payment, a  
5 countersignature by a person whose specimen signature appears on the  
6 instrument.

7 (j) "Certificate of deposit" means an instrument containing an  
8 acknowledgment by a bank that a sum of money has been received by the  
9 bank and a promise by the bank to repay the sum of money. A  
10 certificate of deposit is a note of the bank.

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

13 (a) "Issue" means ~~((the))~~:

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

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

21 (b) An unissued instrument, or an unissued incomplete instrument  
22 that is completed, is binding on the maker or drawer, but nonissuance  
23 is a defense. An instrument that is conditionally issued or is issued  
24 for a special purpose is binding on the maker or drawer, but failure  
25 of the condition or special purpose to be fulfilled is a defense.

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

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

30 ~~((a))~~ A person is not liable on an instrument unless ~~((i))~~  
31 (a) the person signed the instrument, or ((ii)) (b) the person is  
32 represented by an agent or representative who signed the instrument  
33 and the signature is binding on the represented person under RCW  
34 62A.3-402.

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



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

3 (5) "Sender" means the person giving the instruction to the  
4 receiving bank.

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

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

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

12 "Security procedure" means a procedure established by agreement  
13 of a customer and a receiving bank for the purpose of (1) verifying  
14 that a payment order or communication amending or canceling a payment  
15 order is that of the customer, or (2) detecting error in the  
16 transmission or the content of the payment order or communication. A  
17 security procedure may impose an obligation on the receiving bank or  
18 the customer and may require the use of algorithms or other codes,  
19 identifying words ((~~o~~)), numbers, symbols, sounds, biometrics,  
20 encryption, callback procedures, or similar security devices.  
21 Comparison of a signature on a payment order or communication with an  
22 authorized specimen signature of the customer or requiring a payment  
23 order to be sent from a known email address, IP address, or telephone  
24 number is not by itself a security procedure.

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

27 (a) A payment order received by the receiving bank is the  
28 authorized order of the person identified as sender if that person  
29 authorized the order or is otherwise bound by it under the law of  
30 agency.

31 (b) If a bank and its customer have agreed that the authenticity  
32 of payment orders issued to the bank in the name of the customer as  
33 sender will be verified pursuant to a security procedure, a payment  
34 order received by the receiving bank is effective as the order of the  
35 customer, whether or not authorized, if (i) the security procedure is  
36 a commercially reasonable method of providing security against  
37 unauthorized payment orders, and (ii) the bank proves that it  
38 accepted the payment order in good faith and in compliance with the

1 bank's obligations under the security procedure and any (~~written~~)  
2 agreement or instruction of the customer, evidenced by a record,  
3 restricting acceptance of payment orders issued in the name of the  
4 customer. The bank is not required to follow an instruction that  
5 violates a (~~written~~) an agreement with the customer, evidenced by a  
6 record, or notice of which is not received at a time and in a manner  
7 affording the bank a reasonable opportunity to act on it before the  
8 payment order is accepted.

9 (c) Commercial reasonableness of a security procedure is a  
10 question of law to be determined by considering the wishes of the  
11 customer expressed to the bank, the circumstances of the customer  
12 known to the bank, including the size, type, and frequency of payment  
13 orders normally issued by the customer to the bank, alternative  
14 security procedures offered to the customer, and security procedures  
15 in general use by customers and receiving banks similarly situated. A  
16 security procedure is deemed to be commercially reasonable if (i) the  
17 security procedure was chosen by the customer after the bank offered,  
18 and the customer refused, a security procedure that was commercially  
19 reasonable for that customer, and (ii) the customer expressly agreed  
20 in (~~writing~~) a record to be bound by any payment order, whether or  
21 not authorized, issued in its name, and accepted by the bank in  
22 compliance with the bank's obligations under the security procedure  
23 chosen by the customer.

24 (d) The term "sender" in this Article includes the customer in  
25 whose name a payment order is issued if the order is the authorized  
26 order of the customer under subsection (a) of this section, or it is  
27 effective as the order of the customer under subsection (b) of this  
28 section.

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

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

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

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

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

4 (2) The receiving bank is not entitled to enforce or retain  
5 payment of the payment order if the customer proves that the order  
6 was not caused, directly or indirectly, by a person (i) entrusted at  
7 any time with duties to act for the customer with respect to payment  
8 orders or the security procedure, or (ii) who obtained access to  
9 transmitting facilities of the customer or who obtained, from a  
10 source controlled by the customer and without authority of the  
11 receiving bank, information facilitating breach of the security  
12 procedure, regardless of how the information was obtained or whether  
13 the customer was at fault. Information includes any access device,  
14 computer software, or the like.

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

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

19 (a) Subject to subsection (b) of this section, if, in a payment  
20 order received by the beneficiary's bank, the name, bank account  
21 number, or other identification of the beneficiary refers to a  
22 nonexistent or unidentifiable person or account, no person has rights  
23 as a beneficiary of the order and acceptance of the order cannot  
24 occur.

25 (b) If a payment order received by the beneficiary's bank  
26 identifies the beneficiary both by name and by an identifying or bank  
27 account number and the name and number identify different persons,  
28 the following rules apply:

29 (1) Except as otherwise provided in subsection (c) of this  
30 section, if the beneficiary's bank does not know that the name and  
31 number refer to different persons, it may rely on the number as the  
32 proper identification of the beneficiary of the order. The  
33 beneficiary's bank need not determine whether the name and number  
34 refer to the same person.

35 (2) If the beneficiary's bank pays the person identified by name  
36 or knows that the name and number identify different persons, no  
37 person has rights as beneficiary except the person paid by the  
38 beneficiary's bank if that person was entitled to receive payment

1 from the originator of the funds transfer. If no person has rights as  
2 beneficiary, acceptance of the order cannot occur.

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

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

10 (2) If the originator is not a bank and proves that the person  
11 identified by number was not entitled to receive payment from the  
12 originator, the originator is not obliged to pay its order unless the  
13 originator's bank proves that the originator, before acceptance of  
14 the originator's order, had notice that payment of a payment order  
15 issued by the originator might be made by the beneficiary's bank on  
16 the basis of an identifying or bank account number even if it  
17 identifies a person different from the named beneficiary. Proof of  
18 notice may be made by any admissible evidence. The originator's bank  
19 satisfies the burden of proof if it proves that the originator,  
20 before the payment order was accepted, signed a (~~writing~~) record  
21 stating the information to which the notice relates.

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

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

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

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

35 (a) This subsection applies to a payment order identifying an  
36 intermediary bank or the beneficiary's bank only by an identifying  
37 number.

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

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

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

11 (1) If the sender is a bank, the receiving bank may rely on the  
12 number as the proper identification of the intermediary or  
13 beneficiary's bank if the receiving bank, when it executes the  
14 sender's order, does not know that the name and number identify  
15 different persons. The receiving bank need not determine whether the  
16 name and number refer to the same person or whether the number refers  
17 to a bank. The sender is obliged to compensate the receiving bank for  
18 any loss and expenses incurred by the receiving bank as a result of  
19 its reliance on the number in executing or attempting to execute the  
20 order.

21 (2) If the sender is not a bank and the receiving bank proves  
22 that the sender, before the payment order was accepted, had notice  
23 that the receiving bank might rely on the number as the proper  
24 identification of the intermediary or beneficiary's bank even if it  
25 identifies a person different from the bank identified by name, the  
26 rights and obligations of the sender and the receiving bank are  
27 governed by subsection (b)(1) of this section, as though the sender  
28 were a bank. Proof of notice may be made by any admissible evidence.  
29 The receiving bank satisfies the burden of proof if it proves that  
30 the sender, before the payment order was accepted, signed a  
31 (~~writing~~) record stating the information to which the notice  
32 relates.

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

39 (4) If the receiving bank knows that the name and number identify  
40 different persons, reliance on either the name or the number in

1 executing the sender's payment order is a breach of the obligation  
2 stated in RCW 62A.4A-302(a) (1).

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

5 (a) A payment order is rejected by the receiving bank by a notice  
6 of rejection transmitted to the sender orally(~~(, electronically,)~~) or  
7 in (~~(writing)~~) a record. A notice of rejection need not use any  
8 particular words and is sufficient if it indicates that the receiving  
9 bank is rejecting the order or will not execute or pay the order.  
10 Rejection is effective when the notice is given if transmission is by  
11 a means that is reasonable in the circumstances. If notice of  
12 rejection is given by a means that is not reasonable, rejection is  
13 effective when the notice is received. If an agreement of the sender  
14 and receiving bank establishes the means to be used to reject a  
15 payment order, (i) any means complying with the agreement is  
16 reasonable and (ii) any means not complying is not reasonable unless  
17 no significant delay in receipt of the notice resulted from the use  
18 of the noncomplying means.

19 (b) This subsection applies if a receiving bank other than the  
20 beneficiary's bank fails to execute a payment order despite the  
21 existence on the execution date of a withdrawable credit balance in  
22 an authorized account of the sender sufficient to cover the order. If  
23 the sender does not receive notice of rejection of the order on the  
24 execution date and the authorized account of the sender does not bear  
25 interest, the bank is obliged to pay interest to the sender on the  
26 amount of the order for the number of days elapsing after the  
27 execution date to the earlier of the day the order is canceled  
28 pursuant to RCW 62A.4A-211(d) or the day the sender receives notice  
29 or learns that the order was not executed, counting the final day of  
30 the period as an elapsed day. If the withdrawable credit balance  
31 during that period falls below the amount of the order, the amount of  
32 interest is reduced accordingly.

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

36 (d) Acceptance of a payment order precludes a later rejection of  
37 the order. Rejection of a payment order precludes a later acceptance  
38 of the order.

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

3       (a) A communication of the sender of a payment order canceling or  
4 amending the order may be transmitted to the receiving bank orally(~~(~~  
5 ~~electronically,~~) or in (~~writing~~) a record. If a security procedure  
6 is in effect between the sender and the receiving bank, the  
7 communication is not effective to cancel or amend the order unless  
8 the communication is verified pursuant to the security procedure or  
9 the bank agrees to the cancellation or amendment.

10       (b) Subject to subsection (a) of this section, a communication by  
11 the sender canceling or amending a payment order is effective to  
12 cancel or amend the order if notice of the communication is received  
13 at a time and in a manner affording the receiving bank a reasonable  
14 opportunity to act on the communication before the bank accepts the  
15 payment order.

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

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

24       (2) With respect to a payment order accepted by the beneficiary's  
25 bank, cancellation or amendment is not effective unless the order was  
26 issued in execution of an unauthorized payment order, or because of a  
27 mistake by a sender in the funds transfer which resulted in the  
28 issuance of a payment order (i) that is a duplicate of a payment  
29 order previously issued by the sender, (ii) that orders payment to a  
30 beneficiary not entitled to receive payment from the originator, or  
31 (iii) that orders payment in an amount greater than the amount the  
32 beneficiary was entitled to receive from the originator. If the  
33 payment order is canceled or amended, the beneficiary's bank is  
34 entitled to recover from the beneficiary any amount paid to the  
35 beneficiary to the extent allowed by the law governing mistake and  
36 restitution.

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

1 (e) A canceled payment order cannot be accepted. If an accepted  
2 payment order is canceled, the acceptance is nullified and no person  
3 has any right or obligation based on the acceptance. Amendment of a  
4 payment order is deemed to be cancellation of the original order at  
5 the time of amendment and issue of a new payment order in the amended  
6 form at the same time.

7 (f) Unless otherwise provided in an agreement of the parties or  
8 in a funds-transfer system rule, if the receiving bank, after  
9 accepting a payment order, agrees to cancellation or amendment of the  
10 order by the sender or is bound by a funds-transfer system rule  
11 allowing cancellation or amendment without the bank's agreement, the  
12 sender, whether or not cancellation or amendment is effective, is  
13 liable to the bank for any loss and expenses, including reasonable  
14 attorneys' fees, incurred by the bank as a result of the cancellation  
15 or amendment or attempted cancellation or amendment.

16 (g) A payment order is not revoked by the death or legal  
17 incapacity of the sender unless the receiving bank knows of the death  
18 or of an adjudication of incapacity by a court of competent  
19 jurisdiction and has reasonable opportunity to act before acceptance  
20 of the order.

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

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

25 (a) If a funds transfer is completed but execution of a payment  
26 order by the receiving bank in breach of RCW 62A.4A-302 results in  
27 delay in payment to the beneficiary, the bank is obliged to pay  
28 interest to either the originator or the beneficiary of the funds  
29 transfer for the period of delay caused by the improper execution.  
30 Except as provided in subsection (c) of this section, additional  
31 damages are not recoverable.

32 (b) If execution of a payment order by a receiving bank in breach  
33 of RCW 62A.4A-302 results in (i) noncompletion of the funds transfer,  
34 (ii) failure to use an intermediary bank designated by the  
35 originator, or (iii) issuance of a payment order that does not comply  
36 with the terms of the payment order of the originator, the bank is  
37 liable to the originator for its expenses in the funds transfer and  
38 for incidental expenses and interest losses, to the extent not  
39 covered by subsection (a) of this section, resulting from the

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

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

7 (d) If a receiving bank fails to execute a payment order it was  
8 obliged by express agreement to execute, the receiving bank is liable  
9 to the sender for its expenses in the transaction and for incidental  
10 expenses and interest losses resulting from the failure to execute.  
11 Additional damages, including consequential damages, are recoverable  
12 to the extent provided in an express ~~((written))~~ agreement of the  
13 receiving bank, evidenced by a record, but are not otherwise  
14 recoverable.

15 (e) Reasonable attorneys' fees are recoverable if demand for  
16 compensation under subsection (a) or (b) of this section is made and  
17 refused before an action is brought on the claim. If a claim is made  
18 for breach of an agreement under subsection (d) of this section and  
19 the agreement does not provide for damages, reasonable attorneys'  
20 fees are recoverable if demand for compensation under subsection (d)  
21 of this section is made and refused before an action is brought on  
22 the claim.

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

26 **PART VI**

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

29 A letter of credit, confirmation, advice, transfer, amendment, or  
30 cancellation may be issued in any form that is a signed record ~~((and  
31 is authenticated (i) by a signature or (ii) in accordance with the  
32 agreement of the parties or the standard practice referred to in RCW  
33 62A.5-108(e)))~~.

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

36 (a) The liability of an issuer, nominated person, or adviser for  
37 action or omission is governed by the law of the jurisdiction chosen

1 by an agreement in the form of a record signed (~~or otherwise~~  
2 authenticated)) by the affected parties (~~in the manner provided in~~  
3 ~~RCW 62A.5-104~~) or by a provision in the person's letter of credit,  
4 confirmation, or other undertaking. The jurisdiction whose law is  
5 chosen need not bear any relation to the transaction.

6 (b) Unless subsection (a) of this section applies, the liability  
7 of an issuer, nominated person, or adviser for action or omission is  
8 governed by the law of the jurisdiction in which the person is  
9 located. The person is considered to be located at the address  
10 indicated in the person's undertaking. If more than one address is  
11 indicated, the person is considered to be located at the address from  
12 which the person's undertaking was issued.

13 (c) For the purpose of jurisdiction, choice of law, and  
14 recognition of interbranch letters of credit, but not enforcement of  
15 a judgment, all branches of a bank are considered separate juridical  
16 entities and a bank is considered to be located at the place where  
17 its relevant branch is considered to be located under this  
18 subsection.

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

23 (e) Except as otherwise provided in this subsection, the  
24 liability of an issuer, nominated person, or adviser is governed by  
25 any rules of custom or practice, such as the Uniform Customs and  
26 Practice for Documentary Credits, to which the letter of credit,  
27 confirmation, or other undertaking is expressly made subject. If (i)  
28 this Article would govern the liability of an issuer, nominated  
29 person, or adviser under subsection (a) or (b) of this section, (ii)  
30 the relevant undertaking incorporates rules of custom or practice,  
31 and (iii) there is conflict between this Article and those rules as  
32 applied to that undertaking, those rules govern except to the extent  
33 of any conflict with the nonvariable provisions specified in RCW  
34 62A.5-103(c).

35 ~~((d))~~ (f) If there is conflict between this Article and Article  
36 3, 4, 4A, or 9A, this Article governs.

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

PART VII

1  
2       **Sec. 701.** RCW 62A.7-102 and 2012 c 214 s 202 are each amended to  
3 read as follows:

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

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

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

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

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

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

17       (6) [Reserved.]

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

20       (8) "Issuer" means a bailee that issues a document of title or,  
21 in the case of an unaccepted delivery order, the person that orders  
22 the possessor of goods to deliver. The term includes a person for  
23 which an agent or employee purports to act in issuing a document if  
24 the agent or employee has real or apparent authority to issue  
25 documents, even if the issuer did not receive any goods, the goods  
26 were misdescribed, or in any other respect the agent or employee  
27 violated the issuer's instructions.

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

32       (10) [Reserved.]

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

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

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

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

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

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

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

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

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

8 (c) In addition, Article 1 contains general definitions and  
9 principles of construction and interpretation applicable throughout  
10 this Article.

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

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

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

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

24 (2) The authoritative copy identifies the person asserting  
25 control as:

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

27 (B) If the authoritative copy indicates that the document has  
28 been transferred, the person to which the document was most recently  
29 transferred;

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

32 (4) Copies or amendments that add or change an identified  
33 (~~assignee~~) transferee of the authoritative copy can be made only  
34 with the consent of the person asserting control;

35 (5) Each copy of the authoritative copy and any copy of a copy is  
36 readily identifiable as a copy that is not the authoritative copy;  
37 and

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

1 (c) A system satisfies subsection (a) of this section, and a  
2 person has control of an electronic document of title, if an  
3 authoritative electronic copy of the document, a record attached to  
4 or logically associated with the electronic copy, or a system in  
5 which the electronic copy is recorded:

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

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

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

14 (A) Prevent others from adding or changing the person to which  
15 each authoritative electronic copy has been issued or transferred;  
16 and

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

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

20 (1) The authoritative electronic copy, a record attached to or  
21 logically associated with the authoritative electronic copy, or a  
22 system in which the authoritative electronic copy is recorded limits  
23 the use of the document of title or has a protocol that is programmed  
24 to cause a change, including a transfer or loss of control; or

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

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

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

31 (2) The other person:

32 (A) Can exercise the power without exercise of the power by the  
33 person; or

34 (B) Is the transferor to the person of an interest in the  
35 document of title.

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

38 (g) A person has control of an electronic document of title if  
39 another person, other than the transferor to the person of an  
40 interest in the document:

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

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

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

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

12 **PART VIII**

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

15 (1) In this Article:

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

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

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

27 (d) "Certificated security" means a security that is represented  
28 by a certificate.

29 (e) "Clearing corporation" means:

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

32 (ii) A federal reserve bank; or

33 (iii) Any other person that provides clearance or settlement  
34 services with respect to financial assets that would require it to  
35 register as a clearing agency under the federal securities laws but  
36 for an exclusion or exemption from the registration requirement, if  
37 its activities as a clearing corporation, including adoption of

1 rules, are subject to regulation by a federal or state governmental  
2 authority.

3 (f) "Communicate" means to:

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

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

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

12 (h) "Entitlement order" means a notification communicated to a  
13 securities intermediary directing transfer or redemption of a  
14 financial asset to which the entitlement holder has a security  
15 entitlement.

16 (i) "Financial asset," except as otherwise provided in RCW  
17 62A.8-103, means:

18 (i) A security;

19 (ii) An obligation of a person or a share, participation, or  
20 other interest in a person or in property or an enterprise of a  
21 person, which is, or is of a type, dealt in or traded on financial  
22 markets, or which is recognized in any area in which it is issued or  
23 dealt in as a medium for investment; or

24 (iii) Any property that is held by a securities intermediary for  
25 another person in a securities account if the securities intermediary  
26 has expressly agreed with the other person that the property is to be  
27 treated as a financial asset under this Article.

28 As context requires, the term means either the interest itself or the  
29 means by which a person's claim to it is evidenced, including a  
30 certificated or uncertificated security, a security certificate, or a  
31 security entitlement.

32 (j) [Reserved.]

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

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

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

3 (i) The security certificate specifies a person entitled to the  
4 security; and

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

8 (n) "Securities intermediary" means:

9 (i) A clearing corporation; or

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

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

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

19 (ii) Which is one of a class or series or by its terms is  
20 divisible into a class or series of shares, participations,  
21 interests, or obligations; and

22 (iii) Which:

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

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

27 (p) "Security certificate" means a certificate representing a  
28 security.

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

32 (r) "Uncertificated security" means a security that is not  
33 represented by a certificate.

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

37	Appropriate person	RCW 62A.8-107
38	Control	RCW 62A.8-106
39	<u>Controllable account</u>	<u>RCW 62A.9A-102</u>

1	<u>Controllable electronic</u>	<u>Section 1002 of this act</u>
2	<u>record</u>	
3	<u>Controllable payment</u>	<u>RCW 62A.9A-102</u>
4	<u>intangible</u>	
5	Delivery	RCW 62A.8-301
6	Investment company	RCW 62A.8-103
7	security	
8	Issuer	RCW 62A.8-201
9	Overissue	RCW 62A.8-210
10	Protected purchaser	RCW 62A.8-303
11	Securities account	RCW 62A.8-501

12 (3) In addition Article 1 contains general definitions and  
13 principles of construction and interpretation applicable throughout  
14 this Article.

15 (4) The characterization of a person, business, or transaction  
16 for purposes of this Article does not determine the characterization  
17 of the person, business, or transaction for purposes of any other  
18 law, regulation, or rule.

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

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

23 (2) An "investment company security" is a security. "Investment  
24 company security" means a share or similar equity interest issued by  
25 an entity that is registered as an investment company under the  
26 federal investment company laws, an interest in a unit investment  
27 trust that is so registered, or a face-amount certificate issued by a  
28 face-amount certificate company that is so registered. Investment  
29 company security does not include an insurance policy or endowment  
30 policy or annuity contract issued by an insurance company.

31 (3) An interest in a partnership or limited liability company is  
32 not a security unless it is dealt in or traded on securities  
33 exchanges or in securities markets, its terms expressly provide that  
34 it is a security governed by this Article, or it is an investment  
35 company security. However, an interest in a partnership or limited

1 liability company is a financial asset if it is held in a securities  
2 account.

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

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

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

13 (7) A document of title is not a financial asset unless RCW  
14 62A.8-102(1)(i)(iii) applies.

15 (8) A controllable account, controllable electronic record, or  
16 controllable payment intangible is not a financial asset unless RCW  
17 62A.8-102(1)(i)(iii) applies.

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

20 (1) A purchaser has "control" of a certificated security in  
21 bearer form if the certificated security is delivered to the  
22 purchaser.

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

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

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

30 (3) A purchaser has "control" of an uncertificated security if:  
31 (a) The uncertificated security is delivered to the purchaser; or  
32 (b) The issuer has agreed that it will comply with instructions  
33 originated by the purchaser without further consent by the registered  
34 owner.

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

36 (a) The purchaser becomes the entitlement holder;

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

1 (c) Another person (~~has control of the security entitlement on~~  
2 ~~behalf of the purchaser or, having previously acquired control of the~~  
3 ~~security entitlement, acknowledges that it has control on behalf of~~  
4 ~~the purchaser)), other than the transferor to the purchaser of an  
5 interest in the security entitlement:~~

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

8 (ii) Obtains control of the security entitlement after having  
9 acknowledged that it will obtain control of the security entitlement  
10 on behalf of the purchaser.

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

14 (6) A purchaser who has satisfied the requirements of subsection  
15 (3) or (4) of this section has control even if the registered owner  
16 in the case of subsection (3) of this section or the entitlement  
17 holder in the case of subsection (4) of this section retains the  
18 right to make substitutions for the uncertificated security or  
19 security entitlement, to originate instructions or entitlement orders  
20 to the issuer or securities intermediary, or otherwise to deal with  
21 the uncertificated security or security entitlement.

22 (7) An issuer or a securities intermediary may not enter into an  
23 agreement of the kind described in subsection (3)(b) or (4)(b) of  
24 this section without the consent of the registered owner or  
25 entitlement holder, but an issuer or a securities intermediary is not  
26 required to enter into such an agreement even though the registered  
27 owner or entitlement holder so directs. An issuer or securities  
28 intermediary that has entered into such an agreement is not required  
29 to confirm the existence of the agreement to another party unless  
30 requested to do so by the registered owner or entitlement holder.

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

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

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

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

3 (a) The validity of a security;

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

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

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

9 (e) Whether an adverse claim can be asserted against a person to  
10 whom transfer of a certificated or uncertificated security is  
11 registered or a person who obtains control of an uncertificated  
12 security.

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

15 (a) Acquisition of a security entitlement from the securities  
16 intermediary;

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

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

21 (d) Whether an adverse claim can be asserted against a person who  
22 acquires a security entitlement from the securities intermediary or a  
23 person who purchases a security entitlement or interest therein from  
24 an entitlement holder.

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

29 (4) "Issuer's jurisdiction" means the jurisdiction under which  
30 the issuer of the security is organized or, if permitted by the law  
31 of that jurisdiction, the law of another jurisdiction specified by  
32 the issuer. An issuer organized under the law of this state may  
33 specify the law of another jurisdiction as the law governing the  
34 matters specified in subsection (1)(b) through (e) of this section.

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

37 (a) If an agreement between the securities intermediary and its  
38 entitlement holder governing the securities account expressly  
39 provides that a particular jurisdiction is the securities  
40 intermediary's jurisdiction for purposes of this part, this Article,

1 or Article 62A.9A RCW, that jurisdiction is the securities  
2 intermediary's jurisdiction.

3 (b) If (a) of this subsection does not apply and an agreement  
4 between the securities intermediary and its entitlement holder  
5 governing the securities account expressly provides that the  
6 agreement is governed by the law of a particular jurisdiction, that  
7 jurisdiction is the securities intermediary's jurisdiction.

8 (c) If neither (a) nor (b) of this subsection applies, and an  
9 agreement between the securities intermediary and its entitlement  
10 holder governing the securities account expressly provides that the  
11 securities account is maintained at an office in a particular  
12 jurisdiction, that jurisdiction is the securities intermediary's  
13 jurisdiction.

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

18 (e) If (a), (b), (c), and (d) of this subsection do not apply,  
19 the securities intermediary's jurisdiction is the jurisdiction in  
20 which the chief executive office of the securities intermediary is  
21 located.

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

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

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

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

36 (a) Gives value;

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

38 and

1 (c) Obtains control of the certificated or uncertificated  
2 security.

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

6 **PART IX**

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

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

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

13 (2) (A) "Account," except as used in "account for," "account  
14 statement," "account to," "commodity account" in (14) of this  
15 subsection, "customer's account," "deposit account" in (29) of this  
16 subsection, "on account of," and "statement of account," means a  
17 right to payment of a monetary obligation, whether or not earned by  
18 performance, (i) for property that has been or is to be sold, leased,  
19 licensed, assigned, or otherwise disposed of, (ii) for services  
20 rendered or to be rendered, (iii) for a policy of insurance issued or  
21 to be issued, (iv) for a secondary obligation incurred or to be  
22 incurred, (v) for energy provided or to be provided, (vi) for the use  
23 or hire of a vessel under a charter or other contract, (vii) arising  
24 out of the use of a credit or charge card or information contained on  
25 or for use with the card, or (viii) as winnings in a lottery or other  
26 game of chance operated or sponsored by a state, governmental unit of  
27 a state, or person licensed or authorized to operate the game by a  
28 state or governmental unit of a state. The term includes controllable  
29 accounts and health-care-insurance receivables.

30 (B) The term does not include (i) (~~rights to payment evidenced~~  
31 ~~by chattel paper or an instrument~~) chattel paper, (ii) commercial  
32 tort claims, (iii) deposit accounts, (iv) investment property, (v)  
33 letter-of-credit rights or letters of credit, (~~or~~) (vi) rights to  
34 payment for money or funds advanced or sold, other than rights  
35 arising out of the use of a credit or charge card or information  
36 contained on or for use with the card, or (vii) rights to payment  
37 evidenced by an instrument.

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

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

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

9 (B) Indicating the aggregate unpaid secured obligations as of a  
10 date not more than (~~(thirty-five)~~) 35 days earlier or (~~(thirty-five)~~)  
11 35 days later than the date of the record; and

12 (C) Identifying the components of the obligations in reasonable  
13 detail.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (7A) "Assignee," except as used in "assignee for benefit of  
5 creditors," means a person (i) in whose favor a security interest  
6 that secures an obligation is created or provided for under a  
7 security agreement, whether or not the obligation is outstanding or  
8 (ii) to which an account, chattel paper, payment intangible, or  
9 promissory note has been sold. The term includes a person to which a  
10 security interest has been transferred by a secured party.

11 (7B) "Assignor" means a person that (i) under a security  
12 agreement creates or provides for a security interest that secures an  
13 obligation or (ii) sells an account, chattel paper, payment  
14 intangible, or promissory note. The term includes a secured party  
15 that has transferred a security interest to another person.

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

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

21 (10) "Certificate of title" means a certificate of title with  
22 respect to which a statute provides for the security interest in  
23 question to be indicated on the certificate as a condition or result  
24 of the security interest's obtaining priority over the rights of a  
25 lien creditor with respect to the collateral. The term includes  
26 another record maintained as an alternative to a certificate of title  
27 by the governmental unit that issues certificates of title if a  
28 statute permits the security interest in question to be indicated on  
29 the record as a condition or result of the security interest's  
30 obtaining priority over the rights of a lien creditor with respect to  
31 the collateral.

32 (11) "Chattel paper" means ~~((a record or records that evidence~~  
33 ~~both a monetary obligation and a security interest in specific goods,~~  
34 ~~a security interest in specific goods and software used in the goods,~~  
35 ~~a security interest in specific goods and license of software used in~~  
36 ~~the goods, a lease of specific goods, or a lease of specific goods~~  
37 ~~and license of software used in the goods. In this subsection,~~  
38 ~~"monetary obligation" means a monetary obligation secured by the~~  
39 ~~goods or owed under a lease of the goods and includes a monetary~~  
40 ~~obligation with respect to software used in the goods. The term~~

1 ~~"chattel paper" does not include (i) charters or other contracts~~  
2 ~~involving the use or hire of a vessel or (ii) records that evidence a~~  
3 ~~right to payment arising out of the use of a credit or charge card or~~  
4 ~~information contained on or for use with the card. If a transaction~~  
5 ~~is evidenced by records that include an instrument or series of~~  
6 ~~instruments, the group of records taken together constitutes chattel~~  
7 ~~paper)):~~

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

11 (B) A right to payment of a monetary obligation owed by a lessee  
12 under a lease agreement with respect to specific goods and a monetary  
13 obligation owed by the lessee in connection with the transaction  
14 giving rise to the lease, if:

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

17 (ii) The predominant purpose of the transaction giving rise to  
18 the lease was to give the lessee the right to possession and use of  
19 the goods.

20 The term does not include a right to payment arising out of a  
21 charter or other contract involving the use or hire of a vessel or a  
22 right to payment arising out of the use of a credit or charge card or  
23 information contained on or for use with the card.

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

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

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

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

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

32 (A) The claimant is an organization; or

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

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

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

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

1 (15) "Commodity contract" means a commodity futures contract, an  
2 option on a commodity futures contract, a commodity option, or  
3 another contract if the contract or option is:

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

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

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

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

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

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

18 (18) "Communicate" means:

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

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

22 (C) In the case of transmission of a record to or by a filing  
23 office, to transmit a record by any means prescribed by filing-office  
24 rule.

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

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

30 (A) The merchant:

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

33 (ii) Is not an auctioneer; and

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

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

38 (C) The goods are not consumer goods immediately before delivery;  
39 and

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

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

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

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

8 (24) "Consumer-goods transaction" means a consumer transaction in  
9 which:

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

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

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

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

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

19 "Consumer obligor" means an obligor who is an individual and who  
20 incurred a consumer obligation.

21 (26) "Consumer transaction" means a transaction in which (i) an  
22 individual incurs a consumer obligation, (ii) a security interest  
23 secures the obligation, and (iii) the collateral is held or acquired  
24 primarily for personal, family, or household purposes. The term  
25 includes consumer-goods transactions.

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

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

30 (B) Indicates that it is a continuation statement for, or that it  
31 is filed to continue the effectiveness of, the identified financing  
32 statement.

33 (27A) "Controllable account" means an account evidenced by a  
34 controllable electronic record that provides that the account debtor  
35 undertakes to pay the person that has control under section 1005 of  
36 this act of the controllable electronic record.

37 (27B) "Controllable payment intangible" means a payment  
38 intangible evidenced by a controllable electronic record that  
39 provides that the account debtor undertakes to pay the person that

1 has control under section 1005 of this act of the controllable  
2 electronic record.

3 (28) "Debtor" means:

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

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

9 (C) A consignee.

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

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

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

18 (31A) "Electronic money" means money in an electronic form.

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

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

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

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

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

29 (ii) Aquatic goods produced in aquacultural operations;

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

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

33 (D) Products of crops or livestock in their unmanufactured  
34 states.

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

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

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

3 (38) "Filing-office rule" means a rule adopted pursuant to RCW  
4 62A.9A-526.

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

8 (40) "Fixture filing" means the filing of a financing statement  
9 covering goods that are or are to become fixtures and satisfying RCW  
10 62A.9A-502 (a) and (b). The term includes the filing of a financing  
11 statement covering goods of a transmitting utility which are or are  
12 to become fixtures.

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

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

22 (43) [Reserved.]

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

1 minerals before extraction or a manufactured home converted to real  
2 property under chapter 65.20 RCW.

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

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

12 (47) "Instrument" means a negotiable instrument or any other  
13 writing that evidences a right to the payment of a monetary  
14 obligation, is not itself a security agreement or lease, and is of a  
15 type that in ordinary course of business is transferred by delivery  
16 with any necessary indorsement or assignment. The term does not  
17 include (i) investment property, (ii) letters of credit, (iii)  
18 writings that evidence a right to payment arising out of the use of a  
19 credit or charge card or information contained on or for use with the  
20 card, (iv) writings that do not contain a promise or order to pay,  
21 ((~~or~~)) (v) writings that are expressly nontransferable or  
22 nonassignable, or (vi) writings that evidence chattel paper.

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

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

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

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

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

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

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

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

1 (52) "Lien creditor" means:  
2 (A) A creditor that has acquired a lien on the property involved  
3 by attachment, levy, or the like;  
4 (B) An assignee for benefit of creditors from the time of  
5 assignment;  
6 (C) A trustee in bankruptcy from the date of the filing of the  
7 petition; or  
8 (D) A receiver in equity from the time of appointment.  
9 (53) "Manufactured home" means a manufactured home or mobile home  
10 as defined in RCW 46.04.302.  
11 (54) [Reserved.]  
12 (54A) "Money" has the meaning in RCW 62A.1-201(b)(24), but does  
13 not include (i) a deposit account or (ii) money in an electronic form  
14 that cannot be subjected to control under section 904 of this act.  
15 (55) "Mortgage" means a consensual interest in real property,  
16 including fixtures, which secures payment or performance of an  
17 obligation.  
18 (56) "New debtor" means a person that becomes bound as debtor  
19 under RCW 62A.9A-203(d) by a security agreement previously entered  
20 into by another person.  
21 (57) "New value" means (i) money, (ii) money's worth in property,  
22 services, or new credit, or (iii) release by a transferee of an  
23 interest in property previously transferred to the transferee. The  
24 term does not include an obligation substituted for another  
25 obligation.  
26 (58) "Noncash proceeds" means proceeds other than cash proceeds.  
27 (59) "Obligor" means a person that, with respect to an obligation  
28 secured by a security interest in or an agricultural lien on the  
29 collateral, (i) owes payment or other performance of the obligation,  
30 (ii) has provided property other than the collateral to secure  
31 payment or other performance of the obligation, or (iii) is otherwise  
32 accountable in whole or in part for payment or other performance of  
33 the obligation. The term does not include issuers or nominated  
34 persons under a letter of credit.  
35 (60) "Original debtor", except as used in RCW 62A.9A-310(c),  
36 means a person that, as debtor, entered into a security agreement to  
37 which a new debtor has become bound under RCW 62A.9A-203(d).  
38 (61) "Payment intangible" means a general intangible under which  
39 the account debtor's principal obligation is a monetary obligation.  
40 The term includes a controllable payment intangible.

1 (62) "Person related to," with respect to an individual, means:  
2 (A) The spouse or state registered domestic partner of the  
3 individual;  
4 (B) A brother, brother-in-law, sister, or sister-in-law of the  
5 individual;  
6 (C) An ancestor or lineal descendant of the individual or the  
7 individual's spouse or state registered domestic partner; or  
8 (D) Any other relative, by blood or by marriage or other law, of  
9 the individual or the individual's spouse or state registered  
10 domestic partner who shares the same home with the individual.  
11 (63) "Person related to," with respect to an organization, means:  
12 (A) A person directly or indirectly controlling, controlled by,  
13 or under common control with the organization;  
14 (B) An officer or director of, or a person performing similar  
15 functions with respect to, the organization;  
16 (C) An officer or director of, or a person performing similar  
17 functions with respect to, a person described in (63)(A) of this  
18 subsection;  
19 (D) The spouse or state registered domestic partner of an  
20 individual described in (63)(A), (B), or (C) of this subsection; or  
21 (E) An individual who is related by blood or by marriage or other  
22 law to an individual described in (63)(A), (B), (C), or (D) of this  
23 subsection and shares the same home with the individual.  
24 (64) "Proceeds", except as used in RCW 62A.9A-609(b), means the  
25 following property:  
26 (A) Whatever is acquired upon the sale, lease, license, exchange,  
27 or other disposition of collateral;  
28 (B) Whatever is collected on, or distributed on account of,  
29 collateral;  
30 (C) Rights arising out of collateral;  
31 (D) To the extent of the value of collateral, claims arising out  
32 of the loss, nonconformity, or interference with the use of, defects  
33 or infringement of rights in, or damage to, the collateral; or  
34 (E) To the extent of the value of collateral and to the extent  
35 payable to the debtor or the secured party, insurance payable by  
36 reason of the loss or nonconformity of, defects or infringement of  
37 rights in, or damage to, the collateral.  
38 (65) "Promissory note" means an instrument that evidences a  
39 promise to pay a monetary obligation, does not evidence an order to

1 pay, and does not contain an acknowledgment by a bank that the bank  
2 has received for deposit a sum of money or funds.

3 (66) "Proposal" means a record (~~authenticated~~) signed by a  
4 secured party, which includes the terms on which the secured party is  
5 willing to accept collateral in full or partial satisfaction of the  
6 obligation it secures pursuant to RCW 62A.9A-620, 62A.9A-621, and  
7 62A.9A-622.

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

10 (A) Debt securities are issued;

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

13 (C) The debtor, obligor, secured party, account debtor or other  
14 person obligated on collateral, assignor or assignee of a secured  
15 obligation, or assignor or assignee of a security interest is a state  
16 or a governmental unit of a state.

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

19 (A) A record consisting of the record initially filed with or  
20 issued by a state or the United States to form or organize an  
21 organization and any record filed with or issued by the state or the  
22 United States which amends or restates the initial record;

23 (B) An organic record of a business trust consisting of the  
24 record initially filed with a state and any record filed with the  
25 state which amends or restates the initial record, if a statute of  
26 the state governing business trusts requires that the record be filed  
27 with the state; or

28 (C) A record consisting of legislation enacted by the legislature  
29 of a state or the congress of the United States which forms or  
30 organizes an organization, any record amending the legislation, and  
31 any record filed with or issued by the state or the United States  
32 which amends or restates the name of the organization.

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

38 (70) "Record," except as used in "for record," "of record,"  
39 "record or legal title," and "record owner," means information that

1 is inscribed on a tangible medium or which is stored in an electronic  
2 or other medium and is retrievable in perceivable form.

3 (71) "Registered organization" means an organization formed or  
4 organized solely under the law of a single state or the United States  
5 by the filing of a public organic record with, the issuance of a  
6 public organic record by, or the enactment of legislation by the  
7 state or the United States. The term includes a business trust that  
8 is formed or organized under the law of a single state if a statute  
9 of the state governing business trusts requires that the business  
10 trust's organic record be filed with the state.

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

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

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

16 (73) "Secured party" means:

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

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

21 (C) A consignor;

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

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

27 (F) A person that holds a security interest arising under RCW  
28 62A.2-401, 62A.2-505, 62A.2-711(3), 62A.2A-508(5), 62A.4-210, or  
29 62A.5-118.

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

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

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

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

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

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

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

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

16 (79A) "Tangible money" means money in a tangible form.

17 (80) "Termination statement" means an amendment of a financing  
18 statement which:

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

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

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

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

26 (B) Transmitting communications electrically,  
27 electromagnetically, or by light;

28 (C) Transmitting goods by pipeline or sewer; or

29 (D) Transmitting or producing and transmitting electricity,  
30 steam, gas, or water.

31 (b) **Definitions in other articles.** "Control" as provided in RCW  
32 62A.7-106 and the following definitions in other articles apply to  
33 this Article:

34 "Applicant." RCW 62A.5-102.

35 "Beneficiary." RCW 62A.5-102.

36 "Broker." RCW 62A.8-102.

37 "Certificated security." RCW 62A.8-102.

38 "Check." RCW 62A.3-104.

39 "Clearing corporation." RCW 62A.8-102.

1	"Contract for sale."	RCW 62A.2-106.
2	<u>"Controllable electronic</u>	<u>Section 1002 of this</u>
3	<u>record."</u>	<u>act.</u>
4	"Customer."	RCW 62A.4-104.
5	"Entitlement holder."	RCW 62A.8-102.
6	"Financial asset."	RCW 62A.8-102.
7	"Holder in due course."	RCW 62A.3-302.
8	"Issuer" with respect to	
9	documents of title.	RCW 62A.7-102.
10	"Issuer" with respect to a	
11	letter of credit or letter-	
12	of-credit right.	RCW 62A.5-102.
13	"Issuer" with respect to a	
14	security.	RCW 62A.8-201.
15	"Lease."	RCW 62A.2A-103.
16	"Lease agreement."	RCW 62A.2A-103.
17	"Lease contract."	RCW 62A.2A-103.
18	"Leasehold interest."	RCW 62A.2A-103.
19	"Lessee."	RCW 62A.2A-103.
20	"Lessee in ordinary course	
21	of business."	RCW 62A.2A-103.
22	"Lessor."	RCW 62A.2A-103.
23	"Lessor's residual interest."	RCW 62A.2A-103.
24	"Letter of credit."	RCW 62A.5-102.
25	"Merchant."	RCW 62A.2-104.
26	"Negotiable instrument."	RCW 62A.3-104.
27	"Nominated person."	RCW 62A.5-102.
28	"Note."	RCW 62A.3-104.
29	"Proceeds of a letter of	
30	credit."	RCW 62A.5-114.
31	<u>"Protected purchaser."</u>	<u>RCW 62A.8-303.</u>
32	"Prove."	RCW 62A.3-103.
33	<u>"Qualifying purchaser."</u>	<u>Section 1002 of this</u>
34		<u>act.</u>
35	"Sale."	RCW 62A.2-106.
36	"Securities account."	RCW 62A.8-501.

1	"Securities intermediary."	RCW 62A.8-102.
2	"Security."	RCW 62A.8-102.
3	"Security certificate."	RCW 62A.8-102.
4	"Security entitlement."	RCW 62A.8-102.
5	"Uncertificated security."	RCW 62A.8-102.

6 (c) **Article 1 definitions and principles.** Article 1 contains  
7 general definitions and principles of construction and interpretation  
8 applicable throughout this Article.

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

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

13 (1) The secured party is the bank with which the deposit account  
14 is maintained;

15 (2) The debtor, secured party, and bank have agreed in ((an  
16 authenticated)) a signed record that the bank will comply with  
17 instructions originated by the secured party directing disposition of  
18 the funds in the deposit account without further consent by the  
19 debtor; ((or))

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

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

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

25 (B) Obtains control of the deposit account after having  
26 acknowledged that it will obtain control of the deposit account on  
27 behalf of the secured party.

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

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

34 (a) **General rule: Control of electronic copy of record evidencing**  
35 **chattel paper.** ((A secured party has control of electronic chattel  
36 paper if a system employed for evidencing the transfer of interests

1 in the chattel paper reliably establishes the secured party as the  
2 person to which the chattel paper was assigned.

3 ~~(b) **Specific facts giving control.** A system satisfies subsection~~  
4 ~~(a) of this section if the record or records comprising the chattel~~  
5 ~~paper are created, stored, and assigned in such 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 secured party as the~~  
10 ~~assignee of the record or records;~~

11 ~~(3) The authoritative copy is communicated to and maintained by~~  
12 ~~the secured party 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 secured party;~~

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.)) A purchaser has control~~  
21 ~~of an authoritative electronic copy of a record evidencing chattel~~  
22 ~~paper if a system employed for evidencing the assignment of interests~~  
23 ~~in the chattel paper reliably establishes the purchaser as the person~~  
24 ~~to which the authoritative electronic copy was assigned.~~

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

28 (1) A single authoritative copy of the record or records exists  
29 which is unique, identifiable, and, except as otherwise provided in  
30 (4), (5), and (6) of this subsection, unalterable;

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

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

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

38 (5) Each copy of the authoritative copy and any copy of a copy is  
39 readily identifiable as a copy that is not the authoritative copy;  
40 and

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

3 (c) **One or more authoritative copies.** A system satisfies  
4 subsection (a) of this section, and a purchaser has control of an  
5 authoritative electronic copy of a record evidencing chattel paper,  
6 if the electronic copy, a record attached to or logically associated  
7 with the electronic copy, or a system in which the electronic copy is  
8 recorded:

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

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

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

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

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

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

23 (1) The authoritative electronic copy, a record attached to or  
24 logically associated with the authoritative electronic copy, or a  
25 system in which the authoritative electronic copy is recorded limits  
26 the use of the authoritative electronic copy or has a protocol  
27 programmed to cause a change, including a transfer or loss of  
28 control; or

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

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

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

35 (2) The other person:

36 (A) Can exercise the power without exercise of the power by the  
37 purchaser; or

38 (B) Is the transferor to the purchaser of an interest in the  
39 chattel paper.

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

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

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

10 (2) Obtains control of the authoritative electronic copy after  
11 having acknowledged that it will obtain control of the electronic  
12 copy on behalf of the purchaser.

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

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

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

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

23 (B) Exclusive power, subject to subsection (b) of this section,  
24 to:

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

27 (ii) Transfer control of the electronic money to another person  
28 or cause another person to obtain control of other electronic money  
29 as a result of the transfer of the electronic money; and

30 (2) The electronic money, a record attached to or logically  
31 associated with the electronic money, or a system in which the  
32 electronic money is recorded enables the person readily to identify  
33 itself in any way, including by name, identifying number,  
34 cryptographic key, office, or account number, as having the powers  
35 under (1) of this subsection.

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

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

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

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

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

12 (2) The other person:

13 (A) Can exercise the power without exercise of the power by the  
14 person; or

15 (B) Is the transferor to the person of an interest in the  
16 electronic money.

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

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

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

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

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

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

35 (b) **Control of controllable account and controllable payment**  
36 **intangible.** A secured party has control of a controllable account or  
37 controllable payment intangible if the secured party has control of  
38 the controllable electronic record that evidences the controllable  
39 account or controllable payment intangible.

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

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

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

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

15       (a) **Attachment.** A security interest attaches to collateral when  
16   it becomes enforceable against the debtor with respect to the  
17   collateral, unless an agreement expressly postpones the time of  
18   attachment.

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

- 23       (1) Value has been given;  
24       (2) The debtor has rights in the collateral or the power to  
25   transfer rights in the collateral to a secured party; and  
26       (3) One of the following conditions is met:

27       (A) The debtor has (~~authenticated~~) signed a security agreement  
28   that provides a description of the collateral and, if the security  
29   interest covers timber to be cut, a description of the land  
30   concerned;

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

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

38       (D) The collateral is controllable accounts, controllable  
39   electronic records, controllable payment intangibles, deposit

1 accounts, (~~electronic chattel paper,~~) electronic documents,  
2 electronic money, investment property, or letter-of-credit rights,  
3 (~~or electronic documents,~~) and the secured party has control under  
4 RCW 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107 or  
5 section 904 or 905 of this act pursuant to the debtor's security  
6 agreement; or

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

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

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

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

22 (2) The person becomes generally obligated for the obligations of  
23 the other person, including the obligation secured under the security  
24 agreement, and acquires or succeeds to all or substantially all of  
25 the assets of the other person.

26 (e) **Effect of new debtor becoming bound.** If a new debtor becomes  
27 bound as debtor by a security agreement entered into by another  
28 person:

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

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

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

38 (g) **Lien securing right to payment.** The attachment of a security  
39 interest in a right to payment or performance secured by a security  
40 interest or other lien on personal or real property is also

1 attachment of a security interest in the security interest, mortgage,  
2 or other lien.

3 (h) **Security entitlement carried in securities account.** The  
4 attachment of a security interest in a securities account is also  
5 attachment of a security interest in the security entitlements  
6 carried in the securities account.

7 (i) **Commodity contracts carried in commodity account.** The  
8 attachment of a security interest in a commodity account is also  
9 attachment of a security interest in the commodity contracts carried  
10 in the commodity account.

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

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

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

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

23 (2) A commercial tort claim.

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

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

28 (2) To a commercial tort claim as proceeds under RCW  
29 62A.9A-315(a); or

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

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

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

1 (a) **Duty of care when secured party in possession.** Except as  
2 otherwise provided in subsection (d) of this section, a secured party  
3 shall use reasonable care in the custody and preservation of  
4 collateral in the secured party's possession. In the case of chattel  
5 paper or an instrument, reasonable care includes taking necessary  
6 steps to preserve rights against prior parties unless otherwise  
7 agreed.

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

11 (1) Reasonable expenses, including the cost of insurance and  
12 payment of taxes or other charges, incurred in the custody,  
13 preservation, use, or operation of the collateral are chargeable to  
14 the debtor and are secured by the collateral;

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

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

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

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

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

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

25 (c) **Duties and rights when secured party in possession or**  
26 **control.** Except as otherwise provided in subsection (d) of this  
27 section, a secured party having possession of collateral or control  
28 of collateral under RCW 62A.7-106, 62A.9A-104, 62A.9A-105,  
29 62A.9A-106, or 62A.9A-107 or section 904 or 905 of this act:

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

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

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

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

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

40 (A) To charge back uncollected collateral; or

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

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

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

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

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

14 (1) A secured party having control of a deposit account under RCW  
15 62A.9A-104(a)(2) shall send to the bank with which the deposit  
16 account is maintained ~~((an authenticated statement))~~ a signed record  
17 that releases the bank from any further obligation to comply with  
18 instructions originated by the secured party;

19 (2) A secured party having control of a deposit account under RCW  
20 62A.9A-104(a)(3) shall:

21 (A) Pay the debtor the balance on deposit in the deposit account;  
22 or

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

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

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

29 ~~((B) If the debtor designates a custodian that is the designated  
30 custodian with which the authoritative copy of the electronic chattel  
31 paper is maintained for the secured party, communicate to the  
32 custodian an authenticated record releasing the designated custodian  
33 from any further obligation to comply with instructions originated by  
34 the secured party and instructing the custodian to comply with  
35 instructions originated by the debtor; and~~

36 ~~((C) Take appropriate action to enable the debtor or its  
37 designated custodian to make copies of or revisions to the  
38 authoritative copy which add or change an identified assignee of the  
39 authoritative copy without the consent of the secured party))~~ A

1 secured party, other than a buyer, having control under RCW  
2 62A.9A-105 of an authoritative electronic copy of a record evidencing  
3 chattel paper shall transfer control of the electronic copy to the  
4 debtor or a person designated by the debtor;

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

12 (5) A secured party having control of a letter-of-credit right  
13 under RCW 62A.9A-107 shall send to each person having an unfulfilled  
14 obligation to pay or deliver proceeds of the letter of credit to the  
15 secured party ((an authenticated)) a signed release from any further  
16 obligation to pay or deliver proceeds of the letter of credit to the  
17 secured party; ((and))

18 (6) ~~((A secured party having control of an electronic document~~  
19 ~~shall:~~

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

22 ~~(B) If the debtor designates a custodian that is the designated~~  
23 ~~custodian with which the authoritative copy of the electronic~~  
24 ~~document is maintained for the secured party, communicate to the~~  
25 ~~custodian an authenticated record releasing the designated custodian~~  
26 ~~from any further obligation to comply with instructions originated by~~  
27 ~~the secured party and instructing the custodian to comply with~~  
28 ~~instructions originated by the debtor; and~~

29 ~~(C) Take appropriate action to enable the debtor or its~~  
30 ~~designated custodian to make copies of or revisions to the~~  
31 ~~authoritative copy which add or change an identified assignee of the~~  
32 ~~authoritative copy without the consent of the secured party)) A~~  
33 secured party having control under RCW 62A.7-106 of an authoritative  
34 electronic copy of an electronic document of title shall transfer  
35 control of the electronic copy to the debtor or a person designated  
36 by the debtor;

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

1       (8) A secured party having control under section 1005 of this act  
2 of a controllable electronic record, other than a buyer of a  
3 controllable account or controllable payment intangible evidenced by  
4 the controllable electronic record, shall transfer control of the  
5 controllable electronic record to the debtor or a person designated  
6 by the debtor.

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

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

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

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

14       (b) **Duties of secured party after receiving demand from debtor.**

15 Within ~~((ten))~~ 10 days after receiving ~~((an authenticated))~~ a signed  
16 demand by the debtor, a secured party shall send to an account debtor  
17 that has received notification under RCW 62A.9A-406(a) or section  
18 1006(b) of this act of an assignment to the secured party as assignee  
19 ~~((under RCW 62A.9A-406(a) an authenticated))~~ a signed record that  
20 releases the account debtor from any further obligation to the  
21 secured party.

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

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

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

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

30       (2) "Request for an accounting" means a record ~~((authenticated))~~  
31 signed by a debtor requesting that the recipient provide an  
32 accounting of the unpaid obligations secured by collateral and  
33 reasonably identifying the transaction or relationship that is the  
34 subject of the request.

35       (3) "Request regarding a list of collateral" means a record  
36 ~~((authenticated))~~ signed by a debtor requesting that the recipient  
37 approve or correct a list of what the debtor believes to be the

1 collateral securing an obligation and reasonably identifying the  
2 transaction or relationship that is the subject of the request.

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

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

14 (1) In the case of a request for an accounting, by  
15 (~~authenticating~~) signing and sending to the debtor an accounting;  
16 and

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

20 (c) **Request regarding list of collateral; statement concerning**  
21 **type of collateral.** A secured party that claims a security interest  
22 in all of a particular type of collateral owned by the debtor may  
23 comply with a request regarding a list of collateral by sending to  
24 the debtor (~~an authenticated~~) a signed record including a statement  
25 to that effect within (~~fourteen~~) 14 days after receipt.

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

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

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

36 (e) **Request for accounting or regarding statement of account; no**  
37 **interest in obligation claimed.** A person that receives a request for  
38 an accounting or a request regarding a statement of account, claims  
39 no interest in the obligations when it receives the request, and  
40 claimed an interest in the obligations at an earlier time shall

1 comply with the request within fourteen days after receipt by sending  
2 to the debtor ((an authenticated)) a signed record:

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

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

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

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

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

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

21 (2) While collateral is located in a jurisdiction, the local law  
22 of that jurisdiction governs perfection, the effect of perfection or  
23 nonperfection, and the priority of a possessory security interest in  
24 that collateral.

25 (3) Except as otherwise provided in subsection (4) of this  
26 section, while ((~~tangible~~)) negotiable tangible documents, goods,  
27 instruments, or tangible money((, ~~or tangible chattel paper~~)) is  
28 located in a jurisdiction, the local law of that jurisdiction  
29 governs:

30 (A) Perfection of a security interest in the goods by filing a  
31 fixture filing;

32 (B) Perfection of a security interest in timber to be cut; and

33 (C) The effect of perfection or nonperfection and the priority of  
34 a nonpossessory security interest in the collateral.

35 (4) The local law of the jurisdiction in which the wellhead or  
36 minehead is located governs perfection, the effect of perfection or  
37 nonperfection, and the priority of a security interest in as-  
38 extracted collateral.

1       **Sec. 914.**     RCW 62A.9A-304 and 2000 c 250 s 9A-304 are each  
2 amended to read as follows:

3       (a) **Law of bank's jurisdiction governs.** The local law of a bank's  
4 jurisdiction governs perfection, the effect of perfection or  
5 nonperfection, and the priority of a security interest in a deposit  
6 account maintained with that bank even if the transaction does not  
7 bear any relation to the bank's jurisdiction.

8       (b) **Bank's jurisdiction.** The following rules determine a bank's  
9 jurisdiction for purposes of this part:

10       (1) If an agreement between the bank and the debtor governing the  
11 deposit account expressly provides that a particular jurisdiction is  
12 the bank's jurisdiction for purposes of this part, this Article, or  
13 the Uniform Commercial Code, that jurisdiction is the bank's  
14 jurisdiction.

15       (2) If (1) of this subsection does not apply and an agreement  
16 between the bank and its customer governing the deposit account  
17 expressly provides that the agreement is governed by the law of a  
18 particular jurisdiction, that jurisdiction is the bank's  
19 jurisdiction.

20       (3) If neither (1) nor (2) of this subsection applies and an  
21 agreement between the bank and its customer governing the deposit  
22 account expressly provides that the deposit account is maintained at  
23 an office in a particular jurisdiction, that jurisdiction is the  
24 bank's jurisdiction.

25       (4) If (1) through (3) of this subsection do not apply, the  
26 bank's jurisdiction is the jurisdiction in which the office  
27 identified in an account statement as the office serving the  
28 customer's account is located.

29       (5) If (1) through (4) of this subsection do not apply, the  
30 bank's jurisdiction is the jurisdiction in which the chief executive  
31 office of the bank is located.

32       **Sec. 915.**     RCW 62A.9A-305 and 2001 c 32 s 23 are each amended to  
33 read as follows:

34       (a) **Governing law: General rules.** Except as otherwise provided in  
35 subsection (c) of this section, the following rules apply:

36       (1) While a security certificate is located in a jurisdiction,  
37 the local law of that jurisdiction governs perfection, the effect of  
38 perfection or nonperfection, and the priority of a security interest  
39 in the certificated security represented thereby.

1 (2) The local law of the issuer's jurisdiction as specified in  
2 RCW 62A.8-110(4) governs perfection, the effect of perfection or  
3 nonperfection, and the priority of a security interest in an  
4 uncertificated security.

5 (3) The local law of the securities intermediary's jurisdiction  
6 as specified in RCW 62A.8-110(5) governs perfection, the effect of  
7 perfection or nonperfection, and the priority of a security interest  
8 in a security entitlement or securities account.

9 (4) The local law of the commodity intermediary's jurisdiction  
10 governs perfection, the effect of perfection or nonperfection, and  
11 the priority of a security interest in a commodity contract or  
12 commodity account.

13 (5) (2), (3), and (4) of this subsection apply even if the  
14 transaction does not bear any relation to the jurisdiction.

15 (b) **Commodity intermediary's jurisdiction.** The following rules  
16 determine a commodity intermediary's jurisdiction for purposes of  
17 this part:

18 (1) If an agreement between the commodity intermediary and  
19 commodity customer governing the commodity account expressly provides  
20 that a particular jurisdiction is the commodity intermediary's  
21 jurisdiction for purposes of this part, this Article, or the Uniform  
22 Commercial Code, that jurisdiction is the commodity intermediary's  
23 jurisdiction.

24 (2) If (1) of this subsection does not apply and an agreement  
25 between the commodity intermediary and commodity customer governing  
26 the commodity account expressly provides that the agreement is  
27 governed by the law of a particular jurisdiction, that jurisdiction  
28 is the commodity intermediary's jurisdiction.

29 (3) If neither (1) nor (2) of this subsection applies and an  
30 agreement between the commodity intermediary and commodity customer  
31 governing the commodity account expressly provides that the commodity  
32 account is maintained at an office in a particular jurisdiction, that  
33 jurisdiction is the commodity intermediary's jurisdiction.

34 (4) If (1) through (3) of this subsection do not apply, the  
35 commodity intermediary's jurisdiction is the jurisdiction in which  
36 the office identified in an account statement as the office serving  
37 the commodity customer's account is located.

38 (5) If (1) through (4) of this subsection do not apply, the  
39 commodity intermediary's jurisdiction is the jurisdiction in which  
40 the chief executive office of the commodity intermediary is located.

1 (c) **When perfection governed by law of jurisdiction where debtor**  
2 **located.** The local law of the jurisdiction in which the debtor is  
3 located governs:

4 (1) Perfection of a security interest in investment property by  
5 filing;

6 (2) Automatic perfection of a security interest in investment  
7 property created by a broker or securities intermediary; and

8 (3) Automatic perfection of a security interest in a commodity  
9 contract or commodity account created by a commodity intermediary.

10 NEW SECTION. **Sec. 916.** A new section is added to chapter 62A.9A  
11 RCW to read as follows:

12 SECTION 9-306A: LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY  
13 INTERESTS IN CHATTEL PAPER. (a) **Chattel paper evidenced by**  
14 **authoritative electronic copy.** Except as provided in subsection (d)  
15 of this section, if chattel paper is evidenced only by an  
16 authoritative electronic copy of the chattel paper or is evidenced by  
17 an authoritative electronic copy and an authoritative tangible copy,  
18 the local law of the chattel paper's jurisdiction governs perfection,  
19 the effect of perfection or nonperfection, and the priority of a  
20 security interest in the chattel paper, even if the transaction does  
21 not bear any relation to the chattel paper's jurisdiction.

22 (b) **Chattel paper's jurisdiction.** The following rules determine  
23 the chattel paper's jurisdiction under this section:

24 (1) If the authoritative electronic copy of the record evidencing  
25 chattel paper, or a record attached to or logically associated with  
26 the electronic copy and readily available for review, expressly  
27 provides that a particular jurisdiction is the chattel paper's  
28 jurisdiction for purposes of this part, this Article, or this title,  
29 that jurisdiction is the chattel paper's jurisdiction.

30 (2) If (1) of this subsection does not apply and the rules of the  
31 system in which the authoritative electronic copy is recorded are  
32 readily available for review and expressly provide that a particular  
33 jurisdiction is the chattel paper's jurisdiction for purposes of this  
34 part, this Article, or this title, that jurisdiction is the chattel  
35 paper's jurisdiction.

36 (3) If (1) and (2) of this subsection do not apply and the  
37 authoritative electronic copy, or a record attached to or logically  
38 associated with the electronic copy and readily available for review,  
39 expressly provides that the chattel paper is governed by the law of a

1 particular jurisdiction, that jurisdiction is the chattel paper's  
2 jurisdiction.

3 (4) If (1), (2), and (3) of this subsection do not apply and the  
4 rules of the system in which the authoritative electronic copy is  
5 recorded are readily available for review and expressly provide that  
6 the chattel paper or the system is governed by the law of a  
7 particular jurisdiction, that jurisdiction is the chattel paper's  
8 jurisdiction.

9 (5) If (1) through (4) of this subsection do not apply, the  
10 chattel paper's jurisdiction is the jurisdiction in which the debtor  
11 is located.

12 (c) **Chattel paper evidenced by authoritative tangible copy.** If an  
13 authoritative tangible copy of a record evidences chattel paper and  
14 the chattel paper is not evidenced by an authoritative electronic  
15 copy, while the authoritative tangible copy of the record evidencing  
16 chattel paper is located in a jurisdiction, the local law of that  
17 jurisdiction governs:

18 (1) Perfection of a security interest in the chattel paper by  
19 possession under section 922 of this act; and

20 (2) The effect of perfection or nonperfection and the priority of  
21 a security interest in the chattel paper.

22 (d) **When perfection governed by law of jurisdiction where debtor**  
23 **located.** The local law of the jurisdiction in which the debtor is  
24 located governs perfection of a security interest in chattel paper by  
25 filing.

26 NEW SECTION. **Sec. 917.** A new section is added to chapter 62A.9A  
27 RCW to read as follows:

28 SECTION 9-306B: LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY  
29 INTERESTS IN CONTROLLABLE ACCOUNTS, CONTROLLABLE ELECTRONIC RECORDS,  
30 AND CONTROLLABLE PAYMENT INTANGIBLES. (a) **Governing law: General**  
31 **rules.** Except as provided in subsection (b) of this section, the  
32 local law of the controllable electronic record's jurisdiction  
33 specified in section 1007 (c) and (d) of this act governs perfection,  
34 the effect of perfection or nonperfection, and the priority of a  
35 security interest in a controllable electronic record and a security  
36 interest in a controllable account or controllable payment intangible  
37 evidenced by the controllable electronic record.

1 (b) **When perfection governed by law of jurisdiction where debtor**  
2 **located.** The local law of the jurisdiction in which the debtor is  
3 located governs:

4 (1) Perfection of a security interest in a controllable account,  
5 controllable electronic record, or controllable payment intangible by  
6 filing; and

7 (2) Automatic perfection of a security interest in a controllable  
8 payment intangible created by a sale of the controllable payment  
9 intangible.

10 **Sec. 918.** RCW 62A.9A-310 and 2012 c 214 s 1508 are each amended  
11 to read as follows:

12 (a) **General rule: Perfection by filing.** Except as otherwise  
13 provided in subsections (b) and (d) of this section and RCW  
14 62A.9A-312(b), a financing statement must be filed to perfect all  
15 security interests and agricultural liens.

16 (b) **Exceptions: Filing not necessary.** The filing of a financing  
17 statement is not necessary to perfect a security interest:

18 (1) That is perfected under RCW 62A.9A-308 (d), (e), (f), or (g);

19 (2) That is perfected under RCW 62A.9A-309 when it attaches;

20 (3) In property subject to a statute, regulation, or treaty  
21 described in RCW 62A.9A-311(a);

22 (4) In goods in possession of a bailee which is perfected under  
23 RCW 62A.9A-312(d) (1) or (2);

24 (5) In certificated securities, documents, goods, or instruments  
25 which is perfected without filing, control, or possession under RCW  
26 62A.9A-312 (e), (f), or (g);

27 (6) In collateral in the secured party's possession under RCW  
28 62A.9A-313;

29 (7) In a certificated security which is perfected by delivery of  
30 the security certificate to the secured party under RCW 62A.9A-313;

31 (8) In controllable accounts, controllable electronic records,  
32 controllable payment intangibles, deposit accounts, ((~~electronic~~  
33 ~~chattel—paper,~~)) electronic documents, investment property, or  
34 letter-of-credit rights which is perfected by control under RCW  
35 62A.9A-314;

36 (8.1) In chattel paper which is perfected by possession and  
37 control under section 922 of this act;

38 (9) In proceeds which is perfected under RCW 62A.9A-315; or

39 (10) That is perfected under RCW 62A.9A-316.

1 (c) **Assignment of perfected security interest.** If a secured party  
2 assigns a perfected security interest or agricultural lien, a filing  
3 under this Article is not required to continue the perfected status  
4 of the security interest against creditors of and transferees from  
5 the original debtor.

6 (d) **Further exception: Filing not necessary for handler's lien.**  
7 The filing of a financing statement is not necessary to perfect the  
8 agricultural lien of a handler on orchard crops as provided in RCW  
9 60.11.020(3).

10 **Sec. 919.** RCW 62A.9A-312 and 2012 c 214 s 1509 are each amended  
11 to read as follows:

12 (a) **Perfection by filing permitted.** A security interest in  
13 chattel paper, (~~(negotiable documents,)~~) controllable accounts,  
14 controllable electronic records, controllable payment intangibles,  
15 instruments, (~~(or)~~) investment property, or negotiable documents may  
16 be perfected by filing.

17 (b) **Control or possession of certain collateral.** Except as  
18 otherwise provided in RCW 62A.9A-315 (c) and (d) for proceeds:

19 (1) A security interest in a deposit account may be perfected  
20 only by control under RCW 62A.9A-314;

21 (2) And except as otherwise provided in RCW 62A.9A-308(d), a  
22 security interest in a letter-of-credit right may be perfected only  
23 by control under RCW 62A.9A-314; (~~and~~)

24 (3) A security interest in tangible money may be perfected only  
25 by the secured party's taking possession under RCW 62A.9A-313; and

26 (4) A security interest in electronic money may be perfected only  
27 by control under RCW 62A.9A-314.

28 (c) **Goods covered by negotiable document.** While goods are in the  
29 possession of a bailee that has issued a negotiable document covering  
30 the goods:

31 (1) A security interest in the goods may be perfected by  
32 perfecting a security interest in the document; and

33 (2) A security interest perfected in the document has priority  
34 over any security interest that becomes perfected in the goods by  
35 another method during that time.

36 (d) **Goods covered by nonnegotiable document.** While goods are in  
37 the possession of a bailee that has issued a nonnegotiable document  
38 covering the goods, a security interest in the goods may be perfected  
39 by:

- 1 (1) Issuance of a document in the name of the secured party;
- 2 (2) The bailee's receipt of notification of the secured party's  
3 interest; or
- 4 (3) Filing as to the goods.
- 5 (e) **Temporary perfection: New value.** A security interest in  
6 certificated securities, negotiable documents, or instruments is  
7 perfected without filing or the taking of possession or control for a  
8 period of twenty days from the time it attaches to the extent that it  
9 arises for new value given under (~~(an authenticated)~~) a signed  
10 security agreement.
- 11 (f) **Temporary perfection: Goods or documents made available to**  
12 **debtor.** A perfected security interest in a negotiable document or  
13 goods in possession of a bailee, other than one that has issued a  
14 negotiable document for the goods, remains perfected for twenty days  
15 without filing if the secured party makes available to the debtor the  
16 goods or documents representing the goods for the purpose of:
- 17 (1) Ultimate sale or exchange; or
- 18 (2) Loading, unloading, storing, shipping, transshipping,  
19 manufacturing, processing, or otherwise dealing with them in a manner  
20 preliminary to their sale or exchange.
- 21 (g) **Temporary perfection: Delivery of security certificate or**  
22 **instrument to debtor.** A perfected security interest in a certificated  
23 security or instrument remains perfected for twenty days without  
24 filing if the secured party delivers the security certificate or  
25 instrument to the debtor for the purpose of:
- 26 (1) Ultimate sale or exchange; or
- 27 (2) Presentation, collection, enforcement, renewal, or  
28 registration of transfer.
- 29 (h) **Expiration of temporary perfection.** After the twenty-day  
30 period specified in subsection (e), (f), or (g) of this section  
31 expires, perfection depends upon compliance with this Article.

32 **Sec. 920.** RCW 62A.9A-313 and 2012 c 214 s 1511 are each amended  
33 to read as follows:

- 34 (a) **Perfection by possession or delivery.** Except as otherwise  
35 provided in subsection (b) of this section, a secured party may  
36 perfect a security interest in (~~(tangible negotiable documents,)~~)  
37 goods, instruments, negotiable tangible documents, or tangible  
38 money(~~(, or tangible chattel paper)~~) by taking possession of the  
39 collateral. A secured party may perfect a security interest in

1 certificated securities by taking delivery of the certificated  
2 securities under RCW 62A.8-301.

3 (b) **Goods covered by certificate of title.** With respect to goods  
4 covered by a certificate of title issued by this state, a secured  
5 party may perfect a security interest in the goods by taking  
6 possession of the goods only in the circumstances described in RCW  
7 62A.9A-316(d).

8 (c) **Collateral in possession of person other than debtor.** With  
9 respect to collateral other than certificated securities and goods  
10 covered by a document, a secured party takes possession of collateral  
11 in the possession of a person other than the debtor, the secured  
12 party, or a lessee of the collateral from the debtor in the ordinary  
13 course of the debtor's business, when:

14 (1) The person in possession (~~(authenticates)~~) signs a record  
15 acknowledging that it holds possession of the collateral for the  
16 secured party's benefit; or

17 (2) The person takes possession of the collateral after having  
18 (~~(authenticated)~~) signed a record acknowledging that it will hold  
19 possession of the collateral for the secured party's benefit.

20 (d) **Time of perfection by possession; continuation of perfection.**  
21 If perfection of a security interest depends upon possession of the  
22 collateral by a secured party, perfection occurs (~~(to)~~) not earlier  
23 than the time the secured party takes possession and continues only  
24 while the secured party retains possession.

25 (e) **Time of perfection by delivery; continuation of perfection.** A  
26 security interest in a certificated security in registered form is  
27 perfected by delivery when delivery of the certificated security  
28 occurs under RCW 62A.8-301 and remains perfected by delivery until  
29 the debtor obtains possession of the security certificate.

30 (f) **Acknowledgment not required.** A person in possession of  
31 collateral is not required to acknowledge that it holds possession  
32 for a secured party's benefit.

33 (g) **Effectiveness of acknowledgment; no duties or confirmation.**  
34 If a person acknowledges that it holds possession for the secured  
35 party's benefit:

36 (1) The acknowledgment is effective under subsection (c) of this  
37 section or RCW 62A.8-301(1), even if the acknowledgment violates the  
38 rights of a debtor; and

39 (2) Unless the person otherwise agrees or law other than this  
40 Article otherwise provides, the person does not owe any duty to the

1 secured party and is not required to confirm the acknowledgment to  
2 another person.

3 (h) **Secured party's delivery to person other than debtor.** A  
4 secured party having possession of collateral does not relinquish  
5 possession by delivering the collateral to a person other than the  
6 debtor or a lessee of the collateral from the debtor in the ordinary  
7 course of the debtor's business if the person was instructed before  
8 the delivery or is instructed contemporaneously with the delivery:

9 (1) To hold possession of the collateral for the secured party's  
10 benefit; or

11 (2) To redeliver the collateral to the secured party.

12 (i) **Effect of delivery under subsection (h) of this section; no**  
13 **duties or confirmation.** A secured party does not relinquish  
14 possession, even if a delivery under subsection (h) of this section  
15 violates the rights of a debtor. A person to which collateral is  
16 delivered under subsection (h) of this section does not owe any duty  
17 to the secured party and is not required to confirm the delivery to  
18 another person unless the person otherwise agrees or law other than  
19 this Article otherwise provides.

20 **Sec. 921.** RCW 62A.9A-314 and 2012 c 214 s 1512 are each amended  
21 to read as follows:

22 (a) **Perfection by control.** A security interest in (~~investment~~  
23 ~~property, deposit accounts, letter-of-credit rights, electronic~~  
24 ~~chattel paper, or electronic documents~~) controllable accounts,  
25 controllable electronic records, controllable payment intangibles,  
26 deposit accounts, electronic documents, electronic money, investment  
27 property, or letter-of-credit rights may be perfected by control of  
28 the collateral under RCW 62A.7-106, 62A.9A-104, (~~(62A.9A-105,)~~)  
29 62A.9A-106, or 62A.9A-107 or section 904 or 905 of this act.

30 (b) **Specified collateral: Time of perfection by control;**  
31 **continuation of perfection.** A security interest in (~~deposit~~  
32 ~~accounts, electronic chattel paper, letter-of-credit rights, or~~  
33 ~~electronic documents~~) controllable accounts, controllable electronic  
34 records, controllable payment intangibles, deposit accounts,  
35 electronic documents, electronic money, or letter-of-credit rights is  
36 perfected by control under RCW 62A.7-106, 62A.9A-104, (~~(62A.9A-105,)~~)  
37 or 62A.9A-107 or section 904 or 905 of this act not earlier than the  
38 time when the secured party obtains control and remains perfected by  
39 control only while the secured party retains control.

1 (c) **Investment property: Time of perfection by control;**  
2 **continuation of perfection.** A security interest in investment  
3 property is perfected by control under RCW 62A.9A-106 (~~(from)~~) not  
4 earlier than the time the secured party obtains control and remains  
5 perfected by control until:

6 (1) The secured party does not have control; and

7 (2) One of the following occurs:

8 (A) If the collateral is a certificated security, the debtor has  
9 or acquires possession of the security certificate;

10 (B) If the collateral is an uncertificated security, the issuer  
11 has registered or registers the debtor as the registered owner; or

12 (C) If the collateral is a security entitlement, the debtor is or  
13 becomes the entitlement holder.

14 NEW SECTION. **Sec. 922.** A new section is added to chapter 62A.9A  
15 RCW to read as follows:

16 SECTION 9-314A: PERFECTION BY POSSESSION AND CONTROL OF CHATTEL  
17 PAPER. (a) **Perfection by possession and control.** A secured party may  
18 perfect a security interest in chattel paper by taking possession of  
19 each authoritative tangible copy of the record evidencing the chattel  
20 paper and obtaining control of each authoritative electronic copy of  
21 the electronic record evidencing the chattel paper.

22 (b) **Time of perfection; continuation of perfection.** A security  
23 interest is perfected under subsection (a) of this section not  
24 earlier than the time the secured party takes possession and obtains  
25 control and remains perfected under subsection (a) of this section  
26 only while the secured party retains possession and control.

27 (c) **Application of RCW 62A.9A-313 to perfection by possession of**  
28 **chattel paper.** RCW 62A.9A-313 (c) and (f) through (i) applies to  
29 perfection by possession of an authoritative tangible copy of a  
30 record evidencing chattel paper.

31 **Sec. 923.** RCW 62A.9A-316 and 2011 c 74 s 203 are each amended to  
32 read as follows:

33 (a) **General rule: Effect on perfection of change in governing**  
34 **law.** A security interest perfected pursuant to the law of the  
35 jurisdiction designated in RCW 62A.9A-301(1) or 62A.9A-305(c) or  
36 section 916 or 917 of this act remains perfected until the earliest  
37 of:

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

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

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

8 (b) **Security interest perfected or unperfected under law of new**  
9 **jurisdiction.** If a security interest described in subsection (a) of  
10 this section becomes perfected under the law of the other  
11 jurisdiction before the earliest time or event described in  
12 subsection (a) of this section, it remains perfected thereafter. If  
13 the security interest does not become perfected under the law of the  
14 other jurisdiction before the earliest time or event, it becomes  
15 unperfected and is deemed never to have been perfected as against a  
16 purchaser of the collateral for value.

17 (c) **Possessory security interest in collateral moved to new**  
18 **jurisdiction.** A possessory security interest in collateral, other  
19 than goods covered by a certificate of title and as-extracted  
20 collateral consisting of goods, remains continuously perfected if:

21 (1) The collateral is located in one jurisdiction and subject to  
22 a security interest perfected under the law of that jurisdiction;

23 (2) Thereafter the collateral is brought into another  
24 jurisdiction; and

25 (3) Upon entry into the other jurisdiction, the security interest  
26 is perfected under the law of the other jurisdiction.

27 (d) **Goods covered by certificate of title from this state.** Except  
28 as otherwise provided in subsection (e) of this section, a security  
29 interest in goods covered by a certificate of title which is  
30 perfected by any method under the law of another jurisdiction when  
31 the goods become covered by a certificate of title from this state  
32 remains perfected until the security interest would have become  
33 unperfected under the law of the other jurisdiction had the goods not  
34 become so covered.

35 (e) **When subsection (d) security interest becomes unperfected**  
36 **against purchasers.** A security interest described in subsection (d)  
37 of this section becomes unperfected as against a purchaser of the  
38 goods for value and is deemed never to have been perfected as against  
39 a purchaser of the goods for value if the applicable requirements for

1 perfection under RCW 62A.9A-311(b) or 62A.9A-313 are not satisfied  
2 before the earlier of:

3 (1) The time the security interest would have become unperfected  
4 under the law of the other jurisdiction had the goods not become  
5 covered by a certificate of title from this state; or

6 (2) The expiration of four months after the goods had become so  
7 covered.

8 (f) **Change in jurisdiction of chattel paper, controllable**  
9 **electronic record, bank, issuer, nominated person, securities**  
10 **intermediary, or commodity intermediary.** A security interest in  
11 chattel paper, controllable accounts, controllable electronic  
12 records, controllable payment intangibles, deposit accounts, letter-  
13 of-credit rights, or investment property which is perfected under the  
14 law of the chattel paper's jurisdiction, the controllable electronic  
15 record's jurisdiction, the bank's jurisdiction, the issuer's  
16 jurisdiction, a nominated person's jurisdiction, the securities  
17 intermediary's jurisdiction, or the commodity intermediary's  
18 jurisdiction, as applicable, remains perfected until the earlier of:

19 (1) The time the security interest would have become unperfected  
20 under the law of that jurisdiction; or

21 (2) The expiration of four months after a change of the  
22 applicable jurisdiction to another jurisdiction.

23 (g) **Subsection (f) of this section security interest perfected or**  
24 **unperfected under law of new jurisdiction.** If a security interest  
25 described in subsection (f) of this section becomes perfected under  
26 the law of the other jurisdiction before the earlier of the time or  
27 the end of the period described in subsection (f) of this section, it  
28 remains perfected thereafter. If the security interest does not  
29 become perfected under the law of the other jurisdiction before the  
30 earlier of that time or the end of that period, it becomes  
31 unperfected and is deemed never to have been perfected as against a  
32 purchaser of the collateral for value.

33 (h) **Effect on filed financing statement of change in governing**  
34 **law.** The following rules apply to collateral to which a security  
35 interest attaches within four months after the debtor changes its  
36 location to another jurisdiction:

37 (1) A financing statement filed before the change pursuant to the  
38 law of the jurisdiction designated in RCW 62A.9A-301(1) or  
39 62A.9A-305(c) is effective to perfect a security interest in the  
40 collateral if the financing statement would have been effective to

1 perfect a security interest in the collateral had the debtor not  
2 changed its location.

3 (2) If a security interest perfected by a financing statement  
4 that is effective under (1) of this subsection (h) becomes perfected  
5 under the law of the other jurisdiction before the earlier of the  
6 time the financing statement would have become ineffective under the  
7 law of the jurisdiction designated in RCW 62A.9A-301(1) or  
8 62A.9A-305(c) or the expiration of the four-month period, it remains  
9 perfected thereafter. If the security interest does not become  
10 perfected under the law of the other jurisdiction before the earlier  
11 time or event, it becomes unperfected and is deemed never to have  
12 been perfected as against a purchaser of the collateral for value.

13 (i) **Effect of change in governing law on financing statement**  
14 **filed against original debtor.** If a financing statement naming an  
15 original debtor is filed pursuant to the law of the jurisdiction  
16 designated in RCW 62A.9A-301(1) or 62A.9A-305(c) and the new debtor  
17 is located in another jurisdiction, the following rules apply:

18 (1) The financing statement is effective to perfect a security  
19 interest in collateral acquired by the new debtor before, and within  
20 four months after, the new debtor becomes bound under RCW  
21 62A.9A-203(d), if the financing statement would have been effective  
22 to perfect a security interest in the collateral had the collateral  
23 been acquired by the original debtor.

24 (2) A security interest perfected by the financing statement and  
25 which becomes perfected under the law of the other jurisdiction  
26 before the earlier of the time the financing statement would have  
27 become ineffective under the law of the jurisdiction designated in  
28 RCW 62A.9A-301(1) or 62A.9A-305(c) or the expiration of the four-  
29 month period remains perfected thereafter. A security interest that  
30 is perfected by the financing statement but which does not become  
31 perfected under the law of the other jurisdiction before the earlier  
32 time or event becomes unperfected and is deemed never to have been  
33 perfected as against a purchaser of the collateral for value.

34 **Sec. 924.** RCW 62A.9A-317 and 2012 c 214 s 1514 are each amended  
35 to read as follows:

36 (a) **Conflicting security interests and rights of lien creditors.**  
37 A security interest or agricultural lien is subordinate to the rights  
38 of:

39 (1) A person entitled to priority under RCW 62A.9A-322; and

1 (2) Except as otherwise provided in subsection (e) of this  
2 section, a person that becomes a lien creditor before the earlier of  
3 the time:

4 (A) The security interest or agricultural lien is perfected; or

5 (B) One of the conditions specified in RCW 62A.9A-203(b)(3) is  
6 met and a financing statement covering the collateral is filed.

7 (b) **Buyers that receive delivery.** Except as otherwise provided in  
8 subsection (e) of this section, a buyer, other than a secured party,  
9 of (~~tangible chattel paper, tangible documents,~~) goods,  
10 instruments, tangible documents, or a certificated security takes  
11 free of a security interest or agricultural lien if the buyer gives  
12 value and receives delivery of the collateral without knowledge of  
13 the security interest or agricultural lien and before it is  
14 perfected.

15 (c) **Lessees that receive delivery.** Except as otherwise provided  
16 in subsection (e) of this section, a lessee of goods takes free of a  
17 security interest or agricultural lien if the lessee gives value and  
18 receives delivery of the collateral without knowledge of the security  
19 interest or agricultural lien and before it is perfected.

20 (d) **Licensees and buyers of certain collateral.** ((A)) Subject to  
21 subsections (f) through (i) of this section, a licensee of a general  
22 intangible or a buyer, other than a secured party, of collateral  
23 other than (~~tangible chattel paper, tangible documents,~~) electronic  
24 money, goods, instruments, tangible documents, or a certificated  
25 security takes free of a security interest if the licensee or buyer  
26 gives value without knowledge of the security interest and before it  
27 is perfected.

28 (e) **Purchase-money security interest.** Except as otherwise  
29 provided in RCW 62A.9A-320 and 62A.9A-321, if a person files a  
30 financing statement with respect to a purchase-money security  
31 interest before or within twenty days after the debtor receives  
32 delivery of the collateral, the security interest takes priority over  
33 the rights of a buyer, lessee, or lien creditor which arise between  
34 the time the security interest attaches and the time of filing.

35 (f) **Buyers of chattel paper.** A buyer, other than a secured party,  
36 of chattel paper takes free of a security interest if, without  
37 knowledge of the security interest and before it is perfected, the  
38 buyer gives value and:

39 (1) Receives delivery of each authoritative tangible copy of the  
40 record evidencing the chattel paper; and

1 (2) If each authoritative electronic copy of the record  
2 evidencing the chattel paper can be subjected to control under RCW  
3 62A.9A-105, obtains control of each authoritative electronic copy.

4 (g) **Buyers of electronic documents.** A buyer of an electronic  
5 document takes free of a security interest if, without knowledge of  
6 the security interest and before it is perfected, the buyer gives  
7 value and, if each authoritative electronic copy of the document can  
8 be subjected to control under RCW 62A.7-106, obtains control of each  
9 authoritative electronic copy.

10 (h) **Buyers of controllable electronic records.** A buyer of a  
11 controllable electronic record takes free of a security interest if,  
12 without knowledge of the security interest and before it is  
13 perfected, the buyer gives value and obtains control of the  
14 controllable electronic record.

15 (i) **Buyers of controllable accounts and controllable payment**  
16 **intangibles.** A buyer, other than a secured party, of a controllable  
17 account or a controllable payment intangible takes free of a security  
18 interest if, without knowledge of the security interest and before it  
19 is perfected, the buyer gives value and obtains control of the  
20 controllable account or controllable payment intangible.

21 **Sec. 925.** RCW 62A.9A-323 and 2000 c 250 s 9A-323 are each  
22 amended to read as follows:

23 (a) **When priority based on time of advance.** Except as otherwise  
24 provided in subsection (c) of this section, for purposes of  
25 determining the priority of a perfected security interest under RCW  
26 62A.9A-322(a)(1), perfection of the security interest dates from the  
27 time an advance is made to the extent that the security interest  
28 secures an advance that:

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

30 (A) Under RCW 62A.9A-309 when it attaches; or

31 (B) Temporarily under RCW 62A.9A-312 (e), (f), or (g); and

32 (2) Is not made pursuant to a commitment entered into before or  
33 while the security interest is perfected by a method other than under  
34 RCW 62A.9A-309 or 62A.9A-312 (e), (f), or (g).

35 (b) **Lien creditor.** Except as otherwise provided in subsection (c)  
36 of this section, a security interest is subordinate to the rights of  
37 a person that becomes a lien creditor to the extent that the security  
38 interest secures an advance made more than forty-five days after the  
39 person becomes a lien creditor unless the advance is made:

1 (1) Without knowledge of the lien; or

2 (2) Pursuant to a commitment entered into without knowledge of  
3 the lien.

4 (c) **Buyer of receivables.** Subsections (a) and (b) of this section  
5 do not apply to a security interest held by a secured party that is a  
6 buyer of accounts, chattel paper, payment intangibles, or promissory  
7 notes or a consignor.

8 (d) **Buyer of goods.** Except as otherwise provided in subsection  
9 (e) of this section, a buyer of goods (~~(other than a buyer in~~  
10 ~~ordinary course of business)~~) takes free of a security interest to  
11 the extent that it secures advances made after the earlier of:

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

14 (2) Forty-five days after the purchase.

15 (e) **Advances made pursuant to commitment: Priority of buyer of**  
16 **goods.** Subsection (d) of this section does not apply if the advance  
17 is made pursuant to a commitment entered into without knowledge of  
18 the buyer's purchase and before the expiration of the forty-five day  
19 period.

20 (f) **Lessee of goods.** Except as otherwise provided in subsection  
21 (g) of this section, a lessee of goods (~~(, other than a lessee in~~  
22 ~~ordinary course of business,)~~) takes the leasehold interest free of a  
23 security interest to the extent that it secures advances made after  
24 the earlier of:

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

27 (2) Forty-five days after the lease contract becomes enforceable.

28 (g) **Advances made pursuant to commitment: Priority of lessee of**  
29 **goods.** Subsection (f) of this section does not apply if the advance  
30 is made pursuant to a commitment entered into without knowledge of  
31 the lease and before the expiration of the forty-five day period.

32 **Sec. 926.** RCW 62A.9A-324 and 2000 c 250 s 9A-324 are each  
33 amended to read as follows:

34 (a) **General rule: Purchase-money priority.** Except as otherwise  
35 provided in subsection (g) of this section, a perfected purchase-  
36 money security interest in goods other than inventory or livestock  
37 has priority over a conflicting security interest in the same goods,  
38 and, except as otherwise provided in RCW 62A.9A-327, a perfected  
39 security interest in its identifiable proceeds also has priority, if

1 the purchase-money security interest is perfected when the debtor  
2 receives possession of the collateral or within twenty days  
3 thereafter.

4 (b) **Inventory purchase-money priority.** Subject to subsection (c)  
5 of this section and except as otherwise provided in subsection (g) of  
6 this section, a perfected purchase-money security interest in  
7 inventory has priority over a conflicting security interest in the  
8 same inventory, has priority over a conflicting security interest in  
9 chattel paper or an instrument constituting proceeds of the inventory  
10 and in proceeds of the chattel paper, if so provided in RCW  
11 62A.9A-330, and, except as otherwise provided in RCW 62A.9A-327, also  
12 has priority in identifiable cash proceeds of the inventory to the  
13 extent the identifiable cash proceeds are received on or before the  
14 delivery of the inventory to a buyer, if:

15 (1) The purchase-money security interest is perfected when the  
16 debtor receives possession of the inventory;

17 (2) The purchase-money secured party sends (~~(an authenticated)~~) a  
18 signed notification to the holder of the conflicting security  
19 interest;

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

23 (4) The notification states that the person sending the  
24 notification has or expects to acquire a purchase-money security  
25 interest in inventory of the debtor and describes the inventory.

26 (c) **Holders of conflicting inventory security interests to be**  
27 **notified.** Subsections (b)(2) through (4) of this section apply only  
28 if the holder of the conflicting security interest had filed a  
29 financing statement covering the same types of inventory:

30 (1) If the purchase-money security interest is perfected by  
31 filing, before the date of the filing; or

32 (2) If the purchase-money security interest is temporarily  
33 perfected without filing or possession under RCW 62A.9A-312(f),  
34 before the beginning of the twenty-day period thereunder.

35 (d) **Livestock purchase-money priority.** Subject to subsection (e)  
36 of this section and except as otherwise provided in subsection (g) of  
37 this section, a perfected purchase-money security interest in  
38 livestock that are farm products has priority over a conflicting  
39 security interest in the same livestock, and, except as otherwise  
40 provided in RCW 62A.9A-327, a perfected security interest in their

1 identifiable proceeds and identifiable products in their  
2 unmanufactured states also has priority, if:

3 (1) The purchase-money security interest is perfected when the  
4 debtor receives possession of the livestock;

5 (2) The purchase-money secured party sends (~~(an authenticated)~~) a  
6 signed notification to the holder of the conflicting security  
7 interest;

8 (3) The holder of the conflicting security interest receives the  
9 notification within six months before the debtor receives possession  
10 of the livestock; and

11 (4) The notification states that the person sending the  
12 notification has or expects to acquire a purchase-money security  
13 interest in livestock of the debtor and describes the livestock.

14 (e) **Holders of conflicting livestock security interests to be**  
15 **notified.** Subsections (d)(2) through (4) of this section apply only  
16 if the holder of the conflicting security interest had filed a  
17 financing statement covering the same types of livestock:

18 (1) If the purchase-money security interest is perfected by  
19 filing, before the date of the filing; or

20 (2) If the purchase-money security interest is temporarily  
21 perfected without filing or possession under RCW 62A.9A-312(f),  
22 before the beginning of the twenty-day period thereunder.

23 (f) **Software purchase-money priority.** Except as otherwise  
24 provided in subsection (g) of this section, a perfected purchase-  
25 money security interest in software has priority over a conflicting  
26 security interest in the same collateral, and, except as otherwise  
27 provided in RCW 62A.9A-327, a perfected security interest in its  
28 identifiable proceeds also has priority, to the extent that the  
29 purchase-money security interest in the goods in which the software  
30 was acquired for use has priority in the goods and proceeds of the  
31 goods under this section.

32 (g) **Conflicting purchase-money security interests.** If more than  
33 one security interest qualifies for priority in the same collateral  
34 under subsection (a), (b), (d), or (f) of this section:

35 (1) A security interest securing an obligation incurred as all or  
36 part of the price of the collateral has priority over a security  
37 interest securing an obligation incurred for value given to enable  
38 the debtor to acquire rights in or the use of collateral; and

39 (2) In all other cases, RCW 62A.9A-322(a) applies to the  
40 qualifying security interests.

1        NEW SECTION.    **Sec. 927.**    A new section is added to chapter 62A.9A  
2    RCW to read as follows:

3        SECTION 9-326A: PRIORITY OF SECURITY INTEREST IN CONTROLLABLE  
4    ACCOUNT, CONTROLLABLE ELECTRONIC RECORD, AND CONTROLLABLE PAYMENT  
5    INTANGIBLE.    A security interest in a controllable account,  
6    controllable electronic record, or controllable payment intangible  
7    held by a secured party having control of the account, electronic  
8    record, or payment intangible has priority over a conflicting  
9    security interest held by a secured party that does not have control.

10       **Sec. 928.**    RCW 62A.9A-330 and 2000 c 250 s 9A-330 are each  
11    amended to read as follows:

12       (a)    **Purchaser's priority: Security interest claimed merely as**  
13    **proceeds.**    A purchaser of chattel paper has priority over a security  
14    interest in the chattel paper which is claimed merely as proceeds of  
15    inventory subject to a security interest if:

16       (1)    In good faith and in the ordinary course of the purchaser's  
17    business, the purchaser gives new value (~~(and)~~), takes possession of  
18    each authoritative tangible copy of the record evidencing the chattel  
19    paper ((~~or~~)), and obtains control ((~~or~~)) under RCW 62A.9A-105 of each  
20    authoritative electronic copy of the record evidencing the chattel  
21    paper ((~~under RCW 62A.9A-105~~)); and

22       (2)    The (~~chattel paper does~~) authoritative copies of the record  
23    evidencing the chattel paper do not indicate that ((~~it~~)) the chattel  
24    paper has been assigned to an identified assignee other than the  
25    purchaser.

26       (b)    **Purchaser's priority: Other security interests.**    A purchaser  
27    of chattel paper has priority over a security interest in the chattel  
28    paper which is claimed other than merely as proceeds of inventory  
29    subject to a security interest if the purchaser gives new value  
30    (~~(and)~~), takes possession of each authoritative tangible copy of the  
31    record evidencing the chattel paper ((~~or~~)), and obtains control  
32    ((~~or~~)) under RCW 62A.9A-105 of each authoritative electronic copy of  
33    the record evidencing the chattel paper ((~~under RCW 62A.9A-105~~)) in  
34    good faith, in the ordinary course of the purchaser's business, and  
35    without knowledge that the purchase violates the rights of the  
36    secured party.

37       (c)    **Chattel paper purchaser's priority in proceeds.**    Except as  
38    otherwise provided in RCW 62A.9A-327, a purchaser having priority in

1 chattel paper under subsection (a) or (b) of this section also has  
2 priority in proceeds of the chattel paper to the extent that:

3 (1) RCW 62A.9A-322 provides for priority in the proceeds; or

4 (2) The proceeds consist of the specific goods covered by the  
5 chattel paper or cash proceeds of the specific goods, even if the  
6 purchaser's security interest in the proceeds is unperfected.

7 (d) **Instrument purchaser's priority.** Except as otherwise provided  
8 in RCW 62A.9A-331(a), a purchaser of an instrument has priority over  
9 a security interest in the instrument perfected by a method other  
10 than possession if the purchaser gives value and takes possession of  
11 the instrument in good faith and without knowledge that the purchase  
12 violates the rights of the secured party.

13 (e) **Holder of purchase-money security interest gives new value.**  
14 For purposes of subsections (a) and (b) of this section, the holder  
15 of a purchase-money security interest in inventory gives new value  
16 for chattel paper constituting proceeds of the inventory.

17 (f) **Indication of assignment gives knowledge.** For purposes of  
18 subsections (b) and (d) of this section, if the authoritative copies  
19 of the record evidencing chattel paper or an instrument indicate(~~s~~)  
20 that (~~it~~) the chattel paper or instrument has been assigned to an  
21 identified secured party other than the purchaser, a purchaser of the  
22 chattel paper or instrument has knowledge that the purchase violates  
23 the rights of the secured party.

24 **Sec. 929.** RCW 62A.9A-331 and 2001 c 32 s 30 are each amended to  
25 read as follows:

26 (a) **Rights under Articles 3, 7, (~~and~~) 8, and 12 not limited.**  
27 This Article does not limit the rights of a holder in due course of a  
28 negotiable instrument, a holder to which a negotiable document of  
29 title has been duly negotiated, (~~or~~) a protected purchaser of a  
30 security, or a qualifying purchaser of a controllable account,  
31 controllable electronic record, or controllable payment intangible.  
32 These holders or purchasers take priority over an earlier security  
33 interest, even if perfected, to the extent provided in Articles 3, 7,  
34 (~~and~~) 8, and 12.

35 (b) **Protection under Articles 8 and 12.** This Article does not  
36 limit the rights of or impose liability on a person to the extent  
37 that the person is protected against the assertion of a claim under  
38 Article 8 or 12.

1 (c) **Filing not notice.** Filing under this Article does not  
2 constitute notice of a claim or defense to the holders, or  
3 purchasers, or persons described in subsections (a) and (b) of this  
4 section.

5 **Sec. 930.** RCW 62A.9A-332 and 2000 c 250 s 9A-332 are each  
6 amended to read as follows:

7 (a) **Transferee of tangible money.** A transferee of tangible money  
8 takes the money free of a security interest (~~((unless the transferee~~  
9 ~~acts))~~ if the transferee receives possession of the money without  
10 acting in collusion with the debtor in violating the rights of the  
11 secured party.

12 (b) **Transferee of funds from deposit account.** A transferee of  
13 funds from a deposit account takes the funds free of a security  
14 interest in the deposit account (~~((unless the transferee acts))~~ if the  
15 transferee receives possession of the money without acting in  
16 collusion with the debtor in violating the rights of the secured  
17 party.

18 (c) **Transferee of electronic money.** A transferee of electronic  
19 money takes the money free of a security interest if the transferee  
20 obtains control of the money without acting in collusion with the  
21 debtor in violating the rights of the secured party.

22 **Sec. 931.** RCW 62A.9A-334 and 2001 c 32 s 32 are each amended to  
23 read as follows:

24 (a) **Security interest in fixtures under this Article.** A security  
25 interest under this Article may be created in goods that are fixtures  
26 or may continue in goods that become fixtures. A security interest  
27 does not exist under this Article in ordinary building materials  
28 incorporated into an improvement on land.

29 (b) **Security interest in fixtures under real-property law.** This  
30 Article does not prevent creation of an encumbrance upon fixtures  
31 under real property law.

32 (c) **General rule: Subordination of security interest in fixtures.**  
33 In cases not governed by subsections (d) through (h) of this section,  
34 a security interest in fixtures is subordinate to a conflicting  
35 interest of an encumbrancer or owner of the related real property  
36 other than the debtor.

37 (d) **Fixtures purchase-money priority.** Except as otherwise  
38 provided in subsection (h) of this section, a perfected security

1 interest in fixtures has priority over a conflicting interest of an  
2 encumbrancer or owner of the real property if the debtor has an  
3 interest of record in, or is in possession of, the real property and:

4 (1) The security interest is a purchase-money security interest;

5 (2) The interest of the encumbrancer or owner arises before the  
6 goods become fixtures; and

7 (3) The security interest is perfected by a fixture filing before  
8 the goods become fixtures or within twenty days thereafter.

9 (e) **Priority of security interest in fixtures over interests in**  
10 **real property.** A perfected security interest in fixtures has priority  
11 over a conflicting interest of an encumbrancer or owner of the real  
12 property if:

13 (1) The debtor has an interest of record in the real property or  
14 is in possession of the real property and the security interest:

15 (A) Is perfected by a fixture filing before the interest of the  
16 encumbrancer or owner is of record; and

17 (B) Has priority over any conflicting interest of a predecessor  
18 in title of the encumbrancer or owner;

19 (2) Before the goods become fixtures, the security interest is  
20 perfected by any method permitted by this Article and the fixtures  
21 are readily removable:

22 (A) Factory or office machines;

23 (B) Equipment that is not primarily used or leased for use in the  
24 operation of the real property; or

25 (C) Replacements of domestic appliances that are consumer goods;  
26 or

27 (3) The conflicting interest is a lien on the real property  
28 obtained by legal or equitable proceedings after the security  
29 interest was perfected by any method permitted by this Article.

30 (f) **Priority based on consent, disclaimer, or right to remove.** A  
31 security interest in fixtures, whether or not perfected, has priority  
32 over a conflicting interest of an encumbrancer or owner of the real  
33 property if:

34 (1) The encumbrancer or owner has, in ((an—authenticated)) a  
35 signed record, consented to the security interest or disclaimed an  
36 interest in the goods as fixtures; or

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

39 (g) **Continuation of subsection (f) (2) priority.** The priority of  
40 the security interest under subsection (f) (2) of this section

1 continues for a reasonable time if the debtor's right to remove the  
2 goods as against the encumbrancer or owner terminates.

3 (h) **Priority of construction mortgage.** A mortgage is a  
4 construction mortgage to the extent that it secures an obligation  
5 incurred for the construction of an improvement on land, including  
6 the acquisition cost of the land, if a recorded record of the  
7 mortgage so indicates. Except as otherwise provided in subsections  
8 (e) and (f) of this section, a security interest in fixtures is  
9 subordinate to a construction mortgage if a record of the mortgage is  
10 recorded before the goods become fixtures and the goods become  
11 fixtures before the completion of the construction. A mortgage has  
12 this priority to the same extent as a construction mortgage to the  
13 extent that it is given to refinance a construction mortgage.

14 (i) **Priority of security interest in crops.** A perfected security  
15 interest in crops growing on real property has priority over a  
16 conflicting interest of an encumbrancer or owner of the real property  
17 if the debtor has an interest of record in or is in possession of the  
18 real property.

19 (j) **Subsection (i) prevails.** Subsection (i) of this section  
20 prevails over inconsistent provisions of any other statute except RCW  
21 60.11.050.

22 **Sec. 932.** RCW 62A.9A-341 and 2000 c 250 s 9A-341 are each  
23 amended to read as follows:

24 Except as otherwise provided in RCW 62A.9A-340(c), and unless the  
25 bank otherwise agrees in (~~an authenticated~~) a signed record, a  
26 bank's rights and duties with respect to a deposit account maintained  
27 with the bank are not terminated, suspended, or modified by:

- 28 (1) The creation, attachment, or perfection of a security  
29 interest in the deposit account;  
30 (2) The bank's knowledge of the security interest; or  
31 (3) The bank's receipt of instructions from the secured party.

32 **Sec. 933.** RCW 62A.9A-404 and 2000 c 250 s 9A-404 are each  
33 amended to read as follows:

34 (a) **Assignee's rights subject to terms, claims, and defenses;**  
35 **exceptions.** Unless an account debtor has made an enforceable  
36 agreement not to assert defenses or claims, and subject to  
37 subsections (b) through (e) of this section, the rights of an  
38 assignee are subject to:

1 (1) All terms of the agreement between the account debtor and  
2 assignor and any defense or claim in recoupment arising from the  
3 transaction that gave rise to the contract; and

4 (2) Any other defense or claim of the account debtor against the  
5 assignor which accrues before the account debtor receives a  
6 notification of the assignment (~~(authenticated)~~) signed by the  
7 assignor or the assignee.

8 (b) **Account debtor's claim reduces amount owed to assignee.**

9 Subject to subsection (c) of this section, and except as otherwise  
10 provided in subsection (d) of this section, the claim of an account  
11 debtor against an assignor may be asserted against an assignee under  
12 subsection (a) of this section only to reduce the amount the account  
13 debtor owes.

14 (c) **Rule for individual under other law.** This section is subject  
15 to law other than this Article which establishes a different rule for  
16 an account debtor who is an individual and who incurred the  
17 obligation primarily for personal, family, or household purposes.

18 (d) **Omission of required statement in consumer transaction.** In a  
19 consumer transaction, if a record evidences the account debtor's  
20 obligation, law other than this Article requires that the record  
21 include a statement to the effect that the account debtor's recovery  
22 against an assignee with respect to claims and defenses against the  
23 assignor may not exceed amounts paid by the account debtor under the  
24 record, and the record does not include such a statement, the extent  
25 to which a claim of an account debtor against the assignor may be  
26 asserted against an assignee is determined as if the record included  
27 such a statement.

28 (e) **Inapplicability to health-care-insurance receivable.** This  
29 section does not apply to an assignment of a health-care-insurance  
30 receivable.

31 **Sec. 934.** RCW 62A.9A-406 and 2011 c 74 s 301 are each amended to  
32 read as follows:

33 (a) **Discharge of account debtor; effect of notification.** Subject  
34 to subsections (b) through (~~((j))~~) (l) of this section, an account  
35 debtor on an account, chattel paper, or a payment intangible may  
36 discharge its obligation by paying the assignor until, but not after,  
37 the account debtor receives a notification, (~~(authenticated)~~) signed  
38 by the assignor or the assignee, that the amount due or to become due  
39 has been assigned and that payment is to be made to the assignee.

1 After receipt of the notification, the account debtor may discharge  
2 its obligation by paying the assignee and may not discharge the  
3 obligation by paying the assignor.

4 (b) **When notification ineffective.** Subject to subsections (h) and  
5 (l) of this section, notification is ineffective under subsection (a)  
6 of this section:

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

8 (2) To the extent that an agreement between an account debtor and  
9 a seller of a payment intangible limits the account debtor's duty to  
10 pay a person other than the seller and the limitation is effective  
11 under law other than this Article; or

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

15 (A) Only a portion of the account, chattel paper, or payment  
16 intangible has been assigned to that assignee;

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

18 (C) The account debtor knows that the assignment to that assignee  
19 is limited.

20 (c) **Proof of assignment.** Subject to subsections (h) and (l) of  
21 this section, if requested by the account debtor, an assignee shall  
22 seasonably furnish reasonable proof that the assignment has been  
23 made. Unless the assignee complies, the account debtor may discharge  
24 its obligation by paying the assignor, even if the account debtor has  
25 received a notification under subsection (a) of this section.

26 (d) **Term restricting assignment generally ineffective.** In this  
27 subsection, "promissory note" includes a negotiable instrument that  
28 evidences chattel paper. Except as otherwise provided in subsections  
29 (e) and (k) of this section and RCW 62A.2A-303 and 62A.9A-407, and  
30 subject to subsections (h) and (j) of this section, a term in an  
31 agreement between an account debtor and an assignor or in a  
32 promissory note is ineffective to the extent that it:

33 (1) Prohibits, restricts, or requires the consent of the account  
34 debtor or person obligated on the promissory note to the assignment  
35 or transfer of, or the creation, attachment, perfection, or  
36 enforcement of a security interest in, the account, chattel paper,  
37 payment intangible, or promissory note; or

38 (2) Provides that the assignment or transfer or the creation,  
39 attachment, perfection, or enforcement of the security interest may  
40 give rise to a default, breach, right of recoupment, claim, defense,

1 termination, right of termination, or remedy under the account,  
2 chattel paper, payment intangible, or promissory note.

3 (e) **Inapplicability of subsection (d) of this section to certain**  
4 **sales.** Subsection (d) of this section does not apply to the sale of a  
5 payment intangible or promissory note, other than a sale pursuant to  
6 a disposition under RCW 62A.9A-610 or an acceptance of collateral  
7 under RCW 62A.9A-620.

8 (f) [Reserved.]

9 (g) **Subsection (b) (3) of this section not waivable.** Subject to  
10 subsections (h) and (l) of this section, an account debtor may not  
11 waive or vary its option under subsection (b) (3) of this section.

12 (h) **Rule for individual under other law.** This section is subject  
13 to law other than this Article which establishes a different rule for  
14 an account debtor who is an individual and who incurred the  
15 obligation primarily for personal, family, or household purposes.

16 (i) **Inapplicability to health-care-insurance receivable.** This  
17 section does not apply to an assignment of a health-care-insurance  
18 receivable.

19 (j) (1) **Inapplicability of subsection (d) of this section to**  
20 **certain transactions.** After July 1, 2003, subsection (d) of this  
21 section does not apply to the assignment or transfer of or creation  
22 of a security interest in:

23 (A) A claim or right to receive compensation for injuries or  
24 sickness as described in 26 U.S.C. Sec. 104(a) (1) or (2); or

25 (B) A claim or right to receive benefits under a special needs  
26 trust as described in 42 U.S.C. Sec. 1396p(d) (4).

27 (2) This subsection will not affect a transfer of structured  
28 settlement payment rights under chapter 19.205 RCW.

29 (k) **Inapplicability to interests in certain entities.** Subsection  
30 (d) of this section does not apply to a security interest in an  
31 ownership interest in a general partnership, limited partnership, or  
32 limited liability company.

33 (l) **Inapplicability of certain subsections.** Subsections (a), (b),  
34 (c), and (g) of this section do not apply to a controllable account  
35 or controllable payment intangible.

36 **Sec. 935.** RCW 62A.9A-408 and 2011 c 74 s 302 are each amended to  
37 read as follows:

38 (a) **Term restricting assignment generally ineffective.** Except as  
39 otherwise provided in subsections (b) and (f) of this section, a term

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

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

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

17 (b) **Applicability of subsection (a) of this section to sales of**  
18 **certain rights to payment.** Subsection (a) of this section applies to  
19 a security interest in a payment intangible or promissory note only  
20 if the security interest arises out of a sale of the payment  
21 intangible or promissory note, other than a sale pursuant to a  
22 disposition under RCW 62A.9A-610 or an acceptance of collateral under  
23 RCW 62A.9A-620.

24 (c) **Legal restrictions on assignment generally ineffective.** ((A))  
25 Except as otherwise provided in subsection (f) of this section, a  
26 rule of law, statute, or regulation that prohibits, restricts, or  
27 requires the consent of a government, governmental body or official,  
28 person obligated on a promissory note, or account debtor to the  
29 assignment or transfer of, or creation of a security interest in, a  
30 promissory note, health-care-insurance receivable, or general  
31 intangible, including a contract, permit, license, or franchise  
32 between an account debtor and a debtor, is ineffective to the extent  
33 that the rule of law, statute, or regulation:

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

36 (2) Provides that the assignment or transfer or the creation,  
37 attachment, or perfection of the security interest may give rise to a  
38 default, breach, right of recoupment, claim, defense, termination,  
39 right of termination, or remedy under the promissory note, health-  
40 care-insurance receivable, or general intangible.

1           (d) **Limitation on ineffectiveness under subsections (a) and (c)**  
2 **of this section.** To the extent that a term in a promissory note or in  
3 an agreement between an account debtor and a debtor which relates to  
4 a health-care-insurance receivable or general intangible or a rule of  
5 law, statute, or regulation described in subsection (c) of this  
6 section would be effective under law other than this Article but is  
7 ineffective under subsection (a) or (c) of this section, the  
8 creation, attachment, or perfection of a security interest in the  
9 promissory note, health-care-insurance receivable, or general  
10 intangible:

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

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

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

19           (4) Does not entitle the secured party to use or assign the  
20 debtor's rights under the promissory note, health-care-insurance  
21 receivable, or general intangible, including any related information  
22 or materials furnished to the debtor in the transaction giving rise  
23 to the promissory note, health-care-insurance receivable, or general  
24 intangible;

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

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

32           (e) (1) **Inapplicability of subsections (a) and (c) of this section**  
33 **to certain payment intangibles.** After July 1, 2003, subsections (a)  
34 and (c) of this section do not apply to the assignment or transfer of  
35 or creation of a security interest in:

36           (A) A claim or right to receive compensation for injuries or  
37 sickness as described in 26 U.S.C. Sec. 104(a)(1) or (2); or

38           (B) A claim or right to receive benefits under a special needs  
39 trust as described in 42 U.S.C. Sec. 1396p(d)(4).

1 (2) This subsection will not affect a transfer of structured  
2 settlement payment rights under chapter 19.205 RCW.

3 (f) **Inapplicability to interests in certain entities.** This  
4 section does not apply to a security interest in an ownership  
5 interest in a general partnership, limited partnership, or limited  
6 liability company.

7 (g) **"Promissory note."** In this section, "promissory note"  
8 includes a negotiable instrument that evidences chattel paper.

9 **Sec. 936.** RCW 62A.9A-509 and 2001 c 32 s 36 are each amended to  
10 read as follows:

11 (a) **Person entitled to file record.** A person may file an initial  
12 financing statement, amendment that adds collateral covered by a  
13 financing statement, or amendment that adds a debtor to a financing  
14 statement only if:

15 (1) The debtor authorizes the filing in ((an authenticated)) a  
16 signed record or pursuant to subsection (b) or (c) of this section;  
17 or

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

21 (b) **Security agreement as authorization.** By ((authenticating))  
22 signing or becoming bound as debtor by a security agreement, a debtor  
23 or new debtor authorizes the filing of an initial financing  
24 statement, and an amendment, covering:

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

26 (2) Property that becomes collateral under RCW 62A.9A-315(a)(2),  
27 whether or not the security agreement expressly covers proceeds.

28 (c) **Acquisition of collateral as authorization.** By acquiring  
29 collateral in which a security interest or agricultural lien  
30 continues under RCW 62A.9A-315(a)(1), a debtor authorizes the filing  
31 of an initial financing statement, and an amendment, covering the  
32 collateral and property that becomes collateral under RCW  
33 62A.9A-315(a)(2).

34 (d) **Person entitled to file certain amendments.** A person may file  
35 an amendment other than an amendment that adds collateral covered by  
36 a financing statement or an amendment that adds a debtor to a  
37 financing statement only if:

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

1 (2) The amendment is a termination statement for a financing  
2 statement as to which the secured party of record has failed to file  
3 or send a termination statement as required by RCW 62A.9A-513 (a) or  
4 (c), the debtor authorizes the filing, and the termination statement  
5 indicates that the debtor authorized it to be filed.

6 (e) **Multiple secured parties of record.** If there is more than one  
7 secured party of record for a financing statement, each secured party  
8 of record may authorize the filing of an amendment under subsection  
9 (d) of this section.

10 **Sec. 937.** RCW 62A.9A-513 and 2001 c 32 s 37 are each amended to  
11 read as follows:

12 (a) **Consumer goods.** A secured party shall cause the secured party  
13 of record for a financing statement to file a termination statement  
14 for the financing statement if the financing statement covers  
15 consumer goods and:

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

19 (2) The debtor did not authorize the filing of the initial  
20 financing statement.

21 (b) **Time for compliance with subsection (a) of this section.** To  
22 comply with subsection (a) of this section, a secured party shall  
23 cause the secured party of record to file the termination statement:

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

27 (2) If earlier, within (~~twenty~~) 20 days after the secured party  
28 receives (~~(an authenticated)~~) a signed demand from a debtor.

29 (c) **Other collateral.** In cases not governed by subsection (a) of  
30 this section, within (~~twenty~~) 20 days after a secured party  
31 receives (~~(an authenticated)~~) a signed demand from a debtor, the  
32 secured party shall cause the secured party of record for a financing  
33 statement to send to the debtor a termination statement for the  
34 financing statement or file the termination statement in the filing  
35 office if:

36 (1) Except in the case of a financing statement covering accounts  
37 or chattel paper that has been sold or goods that are the subject of  
38 a consignment, there is no obligation secured by the collateral

1 covered by the financing statement and no commitment to make an  
2 advance, incur an obligation, or otherwise give value;

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

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

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

11 (d) **Effect of filing termination statement.** Except as otherwise  
12 provided in RCW 62A.9A-510, upon the filing of a termination  
13 statement with the filing office, the financing statement to which  
14 the termination statement relates ceases to be effective. Except as  
15 otherwise provided in RCW 62A.9A-510, for purposes of RCW  
16 62A.9A-519(g), 62A.9A-522(a), and 62A.9A-523(c), the filing with the  
17 filing office of a termination statement relating to a financing  
18 statement that indicates that the debtor is a transmitting utility  
19 also causes the effectiveness of the financing statement to lapse.

20 **Sec. 938.** RCW 62A.9A-601 and 2012 c 214 s 1518 are each amended  
21 to read as follows:

22 (a) **Rights of secured party after default.** After default, a  
23 secured party has the rights provided in this part and, except as  
24 otherwise provided in RCW 62A.9A-602, those provided by agreement of  
25 the parties. A secured party:

26 (1) May reduce a claim to judgment, foreclose, or otherwise  
27 enforce the claim, security interest, or agricultural lien by any  
28 available judicial procedure; and

29 (2) If the collateral is documents, may proceed either as to the  
30 documents or as to the goods they cover.

31 (b) **Rights and duties of secured party in possession or control.**  
32 A secured party in possession of collateral or control of collateral  
33 under RCW 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or  
34 62A.9A-107 or section 904 or 905 of this act has the rights and  
35 duties provided in RCW 62A.9A-207.

36 (c) **Rights cumulative; simultaneous exercise.** The rights under  
37 subsections (a) and (b) of this section are cumulative and may be  
38 exercised simultaneously.

1 (d) **Rights of debtor and obligor.** Except as otherwise provided in  
2 subsection (g) of this section and RCW 62A.9A-605, after default, a  
3 debtor and an obligor have the rights provided in this part and by  
4 agreement of the parties.

5 (e) **Lien of levy after judgment.** If a secured party has reduced  
6 its claim to judgment, the lien of any levy that may be made upon the  
7 collateral by virtue of an execution based upon the judgment relates  
8 back to the earliest of:

9 (1) The date of perfection of the security interest or  
10 agricultural lien in the collateral;

11 (2) The date of filing a financing statement covering the  
12 collateral; or

13 (3) Any date specified in a statute under which the agricultural  
14 lien was created.

15 (f) **Execution sale.** A sale pursuant to an execution is a  
16 foreclosure of the security interest or agricultural lien by judicial  
17 procedure within the meaning of this section. A secured party may  
18 purchase at the sale and thereafter hold the collateral free of any  
19 other requirements of this Article.

20 (g) **Consignor or buyer of certain rights to payment.** Except as  
21 otherwise provided in RCW 62A.9A-607(c), this part imposes no duties  
22 upon a secured party that is a consignor or is a buyer of accounts,  
23 chattel paper, payment intangibles, or promissory notes.

24 (h) **Enforcement restrictions.** All rights and remedies provided in  
25 this part with respect to promissory notes or an agreement between an  
26 account debtor and a debtor which relates to a health-care-insurance  
27 receivable or a general intangible, including a contract, permit,  
28 license, or franchise, are subject to RCW 62A.9A-408 to the extent  
29 applicable.

30 **Sec. 939.** RCW 62A.9A-605 and 2000 c 250 s 9A-605 are each  
31 amended to read as follows:

32 ((A)) (a) **In general: No duty owed by secured party.** Except as  
33 provided in subsection (b) of this section, a secured party does not  
34 owe a duty based on its status as secured party:

35 (1) To a person that is a debtor or obligor, unless the secured  
36 party knows:

37 (A) That the person is a debtor or obligor;

38 (B) The identity of the person; and

39 (C) How to communicate with the person; or

1 (2) To a secured party or lienholder that has filed a financing  
2 statement against a person, unless the secured party knows:

3 (A) That the person is a debtor; and

4 (B) The identity of the person.

5 (b) Exception: Secured party owes duty to debtor or obligor. A  
6 secured party owes a duty based on its status as a secured party to a  
7 person if, at the time the secured party obtains control of  
8 collateral that is a controllable account, controllable electronic  
9 record, or controllable payment intangible or at the time the  
10 security interest attaches to the collateral, whichever is later:

11 (1) The person is a debtor or obligor; and

12 (2) The secured party knows that the information in subsection  
13 (a)(1)(A), (B), or (C) of this section relating to the person is not  
14 provided by the collateral, a record attached to or logically  
15 associated with the collateral, or the system in which the collateral  
16 is recorded.

17 **Sec. 940.** RCW 62A.9A-608 and 2001 c 32 s 41 are each amended to  
18 read as follows:

19 (a) **Application of proceeds, surplus, and deficiency if**  
20 **obligation secured.** If a security interest or agricultural lien  
21 secures payment or performance of an obligation, the following rules  
22 apply:

23 (1) A secured party shall apply or pay over for application the  
24 cash proceeds of collection or enforcement under RCW 62A.9A-607 in  
25 the following order to:

26 (A) The reasonable expenses of collection and enforcement and, to  
27 the extent provided for by agreement and not prohibited by law,  
28 reasonable attorneys' fees and legal expenses incurred by the secured  
29 party;

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

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

1 (2) If requested by a secured party, a holder of a subordinate  
2 security interest or other lien shall furnish reasonable proof of the  
3 interest or lien within a reasonable time. Unless the holder  
4 complies, the secured party need not comply with the holder's demand  
5 under (1)(C) of this subsection.

6 (3) A secured party need not apply or pay over for application  
7 noncash proceeds of collection and enforcement under RCW 62A.9A-607  
8 unless the failure to do so would be commercially unreasonable. A  
9 secured party that applies or pays over for application noncash  
10 proceeds shall do so in a commercially reasonable manner.

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

13 (b) **No surplus or deficiency in sales of certain rights to**  
14 **payment.** If the underlying transaction is a sale of accounts, chattel  
15 paper, payment intangibles, or promissory notes, the debtor is not  
16 entitled to any surplus, and the obligor is not liable for any  
17 deficiency.

18 **Sec. 941.** RCW 62A.9A-611 and 2011 c 74 s 724 are each amended to  
19 read as follows:

20 (a) **"Notification date."** In this section, "notification date"  
21 means the earlier of the date on which:

22 (1) A secured party sends to the debtor and any secondary obligor  
23 an (~~authenticated~~) a signed notification of disposition; or

24 (2) The debtor and any secondary obligor waive the right to  
25 notification.

26 (b) **Notification of disposition required.** Except as otherwise  
27 provided in subsection (d) of this section, a secured party that  
28 disposes of collateral under RCW 62A.9A-610 shall send to the persons  
29 specified in subsection (c) of this section a reasonable  
30 (~~authenticated~~) signed notification of disposition.

31 (c) **Persons to be notified.** To comply with subsection (b) of this  
32 section, the secured party shall send (~~an authenticated~~) a signed  
33 notification of disposition to:

34 (1) The debtor;

35 (2) Any secondary obligor; and

36 (3) If the collateral is other than consumer goods:

37 (A) Any other secured party or lienholder that, (~~ten~~) 10 days  
38 before the notification date, held a security interest in or other

1 lien on the collateral perfected by the filing of a financing  
2 statement that:

3 (i) Identified the collateral;

4 (ii) Was indexed under the debtor's name as of that date; and

5 (iii) Was filed in the office in which to file a financing  
6 statement against the debtor covering the collateral as of that date;  
7 and

8 (B) Any other secured party that, (~~ten~~) 10 days before the  
9 notification date, held a security interest in the collateral  
10 perfected by compliance with a statute, regulation, or treaty  
11 described in RCW 62A.9A-311(a).

12 (d) **Subsection (b) of this section inapplicable: Perishable**  
13 **collateral; recognized market.** Subsection (b) of this section does  
14 not apply if the collateral is perishable or threatens to decline  
15 speedily in value or is of a type customarily sold on a recognized  
16 market.

17 (e) **Compliance with subsection (c) (3) (A) of this section.** A  
18 secured party complies with the requirement for notification  
19 prescribed by subsection (c) (3) (A) of this section if:

20 (1) Not later than (~~twenty~~) 20 days or earlier than (~~thirty~~)  
21 30 days before the notification date, the secured party requests, in  
22 a commercially reasonable manner, information concerning financing  
23 statements indexed under the debtor's name in the office indicated in  
24 subsection (c) (3) (A) of this section; and

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

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

27 (B) Received a response to the request for information and sent  
28 (~~an authenticated~~) a signed notification of disposition to each  
29 secured party or other lienholder named in that response whose  
30 financing statement covered the collateral.

31 **Sec. 942.** RCW 62A.9A-613 and 2001 c 32 s 42 are each amended to  
32 read as follows:

33 **(a) Contents and form of notification.** Except in a consumer-goods  
34 transaction, the following rules apply:

35 (1) The contents of a notification of disposition are sufficient  
36 if the notification:

37 (A) Describes the debtor and the secured party;

38 (B) Describes the collateral that is the subject of the intended  
39 disposition;

1 (C) States the method of intended disposition;  
2 (D) States that the debtor is entitled to an accounting of the  
3 unpaid indebtedness and states the charge, if any, for an accounting;  
4 and  
5 (E) States the time and place of a public disposition or the time  
6 after which any other disposition is to be made.

7 (2) Whether the contents of a notification that lacks any of the  
8 information specified in subsection (1) of this section are  
9 nevertheless sufficient is a question of fact.

10 (3) The contents of a notification providing substantially the  
11 information specified in subsection (1) of this section are  
12 sufficient, even if the notification includes:

13 (A) Information not specified by subsection (1) of this section;  
14 or

15 (B) Minor errors that are not seriously misleading.

16 (4) A particular phrasing of the notification is not required.

17 (5) The following form of notification and the form appearing in  
18 RCW 62A.9A-614(a)(3), when completed in accordance with the  
19 instructions in subsection (b) of this section and RCW 62A.9A-614(b),  
20 each provides sufficient information:

21 **NOTIFICATION OF DISPOSITION**  
22 **OF COLLATERAL**

23 (~~To: \_\_\_\_\_ [Name of debtor, obligor, or other person to which the~~  
24 ~~notification is sent] \_\_\_\_\_~~

25 ~~From: \_\_\_\_\_ [Name, address, and telephone number of secured~~  
26 ~~party] \_\_\_\_\_~~

27 ~~Name of Debtor(s): \_\_\_\_\_ [Include only if debtor(s) are not an~~  
28 ~~addressee] \_\_\_\_\_~~

29 ~~[For a public disposition:]~~

30 ~~We will sell [or lease or license, as applicable] the~~  
31 ~~\_\_\_\_\_ [describe collateral] \_\_\_\_\_ [to the highest qualified bidder] in~~  
32 ~~public as follows:~~

33 ~~Day and Date: \_\_\_\_\_~~

34 ~~Time: \_\_\_\_\_~~

35 ~~Place: \_\_\_\_\_~~

36 ~~[For a private disposition:]~~

37 ~~We will sell [or lease or license, as applicable] the~~  
38 ~~\_\_\_\_\_ [describe collateral] \_\_\_\_\_ privately sometime after \_\_\_\_\_ [day and~~  
39 ~~date] \_\_\_\_\_.~~

1 ~~You are entitled to an accounting of the unpaid indebtedness~~  
2 ~~secured by the property that we intend to sell [or lease or license,~~  
3 ~~as applicable] [for a charge of \$\_\_\_\_\_]. You may request an~~  
4 ~~accounting by calling us at \_\_\_\_\_[telephone number]\_\_\_\_\_.)~~

5 To: \_\_\_\_\_ (Name of debtor, obligor, or other person to which the  
6 notification is sent) \_\_\_\_\_

7 From: \_\_\_\_\_ (Name, address, and telephone number of secured  
8 party) \_\_\_\_\_

9 {1} Name of any debtor that is not an addressee: (Name of each  
10 debtor) \_\_\_\_\_

11 {2} We will sell (describe collateral) (to the highest qualified  
12 bidder) at public sale. A sale could include a lease or license. The  
13 sale will be held as follows:

14 (Date)

15 (Time)

16 (Place)

17 {3} We will sell (describe collateral) at private sale sometime  
18 after (date). A sale could include a lease or license.

19 {4} You are entitled to an accounting of the unpaid indebtedness  
20 secured by the property that we intend to sell or, as applicable,  
21 lease or license.

22 {5} If you request an accounting you must pay a charge of  
23 \$(amount).

24 {6} You may request an accounting by calling us at (telephone  
25 number).

26 **[End of Form]**

27 **(b) Instructions for form of notification.** The following  
28 instructions apply to the form of notification in subsection (a)(5)  
29 of this section:

30 (1) The instructions in this subsection refer to the numbers in  
31 braces before items in the form of notification in subsection (a)(5)  
32 of this section. Do not include the numbers or braces in the  
33 notification. The numbers and braces are used only for the purpose of  
34 these instructions.

35 (2) Include and complete item {1} only if there is a debtor that  
36 is not an addressee of the notification and list the name or names.

37 (3) Include and complete either item {2}, if the notification  
38 relates to a public disposition of the collateral, or item {3}, if  
39 the notification relates to a private disposition of the collateral.

1 If item {2} is included, include the words "to the highest qualified  
2 bidder" only if applicable.

3 (4) Include and complete items {4} and {6}.

4 (5) Include and complete item {5} only if the sender will charge  
5 the recipient for an accounting.

6 **Sec. 943.** RCW 62A.9A-614 and 2000 c 250 s 9A-614 are each  
7 amended to read as follows:

8 (a) Contents and form of notification. In a consumer-goods  
9 transaction, the following rules apply:

10 (1) A notification of disposition must provide the following  
11 information:

12 (A) The information specified in RCW 62A.9A-613(a)(1);

13 (B) A description of any liability for a deficiency of the person  
14 to which the notification is sent;

15 (C) A telephone number from which the amount that must be paid to  
16 the secured party to redeem the collateral under RCW 62A.9A-623 is  
17 available; and

18 (D) A telephone number or mailing address from which additional  
19 information concerning the disposition and the obligation secured is  
20 available.

21 (2) A particular phrasing of the notification is not required.

22 (3) The following form of notification, when completed in  
23 accordance with the instructions in subsection (b) of this section,  
24 provides sufficient information:

25 (~~\_\_\_\_[Name and address of secured party]\_\_\_\_~~

26 ~~\_\_\_\_[Date]\_\_\_\_~~

27 ~~**NOTICE OF OUR PLAN TO SELL PROPERTY**~~

28 ~~\_\_\_\_[Name and address of any obligor who is also a debtor]\_\_\_\_~~

29 Subject: ~~\_\_\_\_[Identification of Transaction]\_\_\_\_~~

30 We have your ~~\_\_\_\_[describe collateral]\_\_\_\_~~, because you broke promises  
31 in our agreement.

32 ~~[For a public disposition:]~~

33 We will sell ~~\_\_\_\_[describe collateral]\_\_\_\_~~ at public sale. A sale could  
34 include a lease or license. The sale will be held as follows:

35 Date: \_\_\_\_\_

36 Time: \_\_\_\_\_

37 Place: \_\_\_\_\_

1 ~~You may attend the sale and bring bidders if you want.~~  
2 ~~[For a private disposition:]~~  
3 ~~We will sell \_\_\_\_\_ [describe collateral] \_\_\_\_\_ at private sale sometime~~  
4 ~~after \_\_\_\_\_ [date] \_\_\_\_\_. A sale could include a lease or license.~~  
5 ~~The money that we get from the sale (after paying our costs) will~~  
6 ~~reduce the amount you owe. If we get less money than you owe, you~~  
7 ~~\_\_\_\_\_ [will or will not, as applicable] \_\_\_\_\_ still owe us the difference.~~  
8 ~~If we get more money than you owe, you will get the extra money,~~  
9 ~~unless we must pay it to someone else.~~  
10 ~~You can get the property back at any time before we sell it by paying~~  
11 ~~us the full amount you owe (not just the past due payments),~~  
12 ~~including our expenses. To learn the exact amount you must pay, call~~  
13 ~~us at \_\_\_\_\_ [telephone number] \_\_\_\_\_.~~   
14 ~~If you want us to explain to you in writing how we have figured the~~  
15 ~~amount that you owe us, you may call us at \_\_\_\_\_ [telephone number] \_\_\_\_\_~~  
16 ~~[or write us at \_\_\_\_\_ [secured party's address] \_\_\_\_\_] and request a~~  
17 ~~written explanation. [We will charge you \$ \_\_\_\_\_ for the~~  
18 ~~explanation if we sent you another written explanation of the amount~~  
19 ~~you owe us within the last six months.]~~  
20 ~~If you need more information about the sale call us at \_\_\_\_\_ [telephone~~  
21 ~~number] \_\_\_\_\_ [or write us at \_\_\_\_\_ [secured party's address] \_\_\_\_\_].~~  
22 ~~We are sending this notice to the following other people who have an~~  
23 ~~interest in \_\_\_\_\_ [describe collateral] \_\_\_\_\_ or who owe money under your~~  
24 ~~agreement:~~  
25 ~~\_\_\_\_\_ [Names of all other debtors and obligors, if any] \_\_\_\_\_)~~

26 \_\_\_\_\_ (Name and address of secured party)  
27 \_\_\_\_\_ (Date)

28 **NOTICE OF OUR PLAN TO SELL PROPERTY**

29 (Name and address of any obligor who is also a debtor)

30 Subject: (Identify transaction)

31 We have your \_\_\_\_\_ (describe collateral) \_\_\_\_\_, because you broke  
32 promises in our agreement.

33 {1} We will sell (describe collateral) at public sale. A sale  
34 could include a lease or license. The sale will be held as follows:

35 (Date)

36 (Time)

37 (Place)

1 You may attend the sale and bring bidders if you want.

2 {2} We will sell (describe collateral) at private sale sometime  
3 after (date). A sale could include a lease or license.

4 {3} The money that we get from the sale, after paying our costs,  
5 will reduce the amount you owe. If we get less money than you owe,  
6 you (will or will not, as applicable) still owe us the difference. If  
7 we get more money than you owe, you will get the extra money, unless  
8 we must pay it to someone else.

9 {4} You can get the property back at any time before we sell it  
10 by paying us the full amount you owe, not just the past due payments,  
11 including our expenses. To learn the exact amount you must pay, call  
12 us at (telephone number).

13 {5} If you want us to explain to you in (writing) (writing or in  
14 (description of electronic record)) (description of electronic  
15 record) how we have figured the amount that you owe us, {6} call us  
16 at (telephone number) (or) (write us at (secured party's address))  
17 (or contact us by (description of electronic communication method))  
18 {7} and request (a written explanation) (a written explanation or an  
19 explanation in (description of electronic record)) (an explanation in  
20 (description of electronic record)).

21 {8} We will charge you \$ (amount) for the explanation if we sent  
22 you another written explanation of the amount you owe us within the  
23 last six months.

24 {9} If you need more information about the sale (call us at  
25 (telephone number)) (or) (write us at (secured party's address)) (or  
26 contact us by (description of electronic communication method)).

27 {10} We are sending this notice to the following other people who  
28 have an interest in (describe collateral) or who owe money under your  
29 agreement:

30 (Names of all other debtors and obligors, if any)

31 **[End of Form]**

32 **(b) Instructions for form of notification.** The following  
33 instructions apply to the form of notification in subsection (a)(3)  
34 of this section:

35 (1) The instructions in this subsection refer to the numbers in  
36 braces before items in the form of notification in subsection (a)(3)  
37 of this section. Do not include the numbers or braces in the  
38 notification. The numbers and braces are used only for the purpose of  
39 these instructions.

1 (2) Include and complete either item {1}, if the notification  
2 relates to a public disposition of the collateral, or item {2}, if  
3 the notification relates to a private disposition of the collateral.

4 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

5 (4) In item {5}, include and complete any one of the three  
6 alternative methods for the explanation—writing, writing or  
7 electronic record, or electronic record.

8 (5) In item {6}, include the telephone number. In addition, the  
9 sender may include and complete either or both of the two additional  
10 alternative methods of communication—writing or electronic  
11 communication—for the recipient of the notification to communicate  
12 with the sender. Neither of the two additional methods of  
13 communication is required to be included.

14 (6) In item {7}, include and complete the method or methods for  
15 the explanation—writing, writing or electronic record, or electronic  
16 record—included in item {5}.

17 (7) Include and complete item {8} only if a written explanation  
18 is included in item {5} as a method for communicating the explanation  
19 and the sender will charge the recipient for another written  
20 explanation.

21 (8) In item {9}, include either the telephone number or the  
22 address or both the telephone number and the address. In addition,  
23 the sender may include and complete the additional method of  
24 communication—electronic communication—for the recipient of the  
25 notification to communicate with the sender. The additional method of  
26 electronic communication is not required to be included.

27 (9) If item {10} does not apply, insert "None" after  
28 "agreement:".

29 ~~((4))~~ (c)(1) A notification in the form of ~~((subsection))~~  
30 subsection (a)(3) of this section is sufficient, even if additional  
31 information appears at the end of the form.

32 ~~((5))~~ (2) A notification in the form of ~~((subsection))~~  
33 subsection (a)(3) of this section is sufficient, even if it includes  
34 errors in information not required by ~~((subsection))~~ subsection (a)  
35 (1) of this section, unless the error is misleading with respect to  
36 rights arising under this Article.

37 ~~((6))~~ (3) If a notification under this section is not in the  
38 form of ~~((subsection))~~ subsection (a)(3) of this section, law other

1 than this Article determines the effect of including information not  
2 required by (~~([subsection])~~) subsection (a)(1) of this section.

3 **Sec. 944.** RCW 62A.9A-615 and 2001 c 32 s 43 are each amended to  
4 read as follows:

5 (a) **Application of proceeds.** A secured party shall apply or pay  
6 over for application the cash proceeds of disposition under RCW  
7 62A.9A-610 in the following order to:

8 (1) The reasonable expenses of retaking, holding, preparing for  
9 disposition, processing, and disposing, and, to the extent provided  
10 for by agreement and not prohibited by law, reasonable attorneys'  
11 fees and legal expenses incurred by the secured party;

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

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

16 (A) The secured party receives from the holder of the subordinate  
17 security interest or other lien (~~(an authenticated)~~) a signed demand  
18 for proceeds before distribution of the proceeds is completed; and

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

22 (4) A secured party that is a consignor of the collateral if the  
23 secured party receives from the consignor (~~(an authenticated)~~) a  
24 signed demand for proceeds before distribution of the proceeds is  
25 completed.

26 (b) **Proof of subordinate interest.** If requested by a secured  
27 party, a holder of a subordinate security interest or other lien  
28 shall furnish reasonable proof of the interest or lien within a  
29 reasonable time. Unless the holder does so, the secured party need  
30 not comply with the holder's demand under subsection (a)(3) of this  
31 section.

32 (c) **Application of noncash proceeds.** A secured party need not  
33 apply or pay over for application noncash proceeds of disposition  
34 under RCW 62A.9A-610 unless the failure to do so would be  
35 commercially unreasonable. A secured party that applies or pays over  
36 for application noncash proceeds shall do so in a commercially  
37 reasonable manner.

38 (d) **Surplus or deficiency if obligation secured.** If the security  
39 interest under which a disposition is made secures payment or

1 performance of an obligation, after making the payments and  
2 applications required by subsection (a) of this section and permitted  
3 by subsection (c) of this section:

4 (1) Unless subsection (a)(4) of this section requires the secured  
5 party to apply or pay over cash proceeds to a consignor, the secured  
6 party shall account to and pay a debtor for any surplus; and

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

8 (e) **No surplus or deficiency in sales of certain rights to**  
9 **payment.** If the underlying transaction is a sale of accounts, chattel  
10 paper, payment intangibles, or promissory notes:

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

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

13 (f) [Reserved.]

14 (g) **Cash proceeds received by junior secured party.** A secured  
15 party that receives cash proceeds of a disposition in good faith and  
16 without knowledge that the receipt violates the rights of the holder  
17 of a security interest or other lien that is not subordinate to the  
18 security interest or agricultural lien under which the disposition is  
19 made:

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

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

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

27 **Sec. 945.** RCW 62A.9A-616 and 2000 c 250 s 9A-616 are each  
28 amended to read as follows:

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

30 (1) "Explanation" means a (~~writing~~) record that:

31 (A) States the amount of the surplus or deficiency;

32 (B) Provides an explanation in accordance with subsection (c) of  
33 this section of how the secured party calculated the surplus or  
34 deficiency;

35 (C) States, if applicable, that future debits, credits, charges,  
36 including additional credit service charges or interest, rebates, and  
37 expenses may affect the amount of the surplus or deficiency; and

38 (D) Provides a telephone number or mailing address from which  
39 additional information concerning the transaction is available.

1 (2) "Request" means a record:

2 (A) (~~Authenticated~~) Signed by a debtor or consumer obligor;

3 (B) Requesting that the recipient provide an explanation; and

4 (C) Sent after disposition of the collateral under RCW  
5 62A.9A-610.

6 (b) **Explanation of calculation.** In a consumer-goods transaction  
7 in which the debtor is entitled to a surplus or a consumer obligor is  
8 liable for a deficiency under RCW 62A.9A-615, the secured party  
9 shall:

10 (1) Send an explanation to the debtor or consumer obligor, as  
11 applicable, after the disposition and:

12 (A) Before or when the secured party accounts to the debtor and  
13 pays any surplus or first makes (~~written~~) demand in a record on the  
14 consumer obligor after the disposition for payment of the deficiency;  
15 and

16 (B) Within (~~fourteen~~) 14 days after receipt of a request; or

17 (2) In the case of a consumer obligor who is liable for a  
18 deficiency, within (~~fourteen~~) 14 days after receipt of a request,  
19 send to the consumer obligor a record waiving the secured party's  
20 right to a deficiency.

21 (c) **Required information.** To comply with subsection (a)(1)(B) of  
22 this section, (~~a writing~~) an explanation must provide the following  
23 information in the following order:

24 (1) The aggregate amount of obligations secured by the security  
25 interest under which the disposition was made, and, if the amount  
26 reflects a rebate of unearned interest or credit service charge, an  
27 indication of that fact, calculated as of a specified date:

28 (A) If the secured party takes or receives possession of the  
29 collateral after default, not more than thirty-five days before the  
30 secured party takes or receives possession; or

31 (B) If the secured party takes or receives possession of the  
32 collateral before default or does not take possession of the  
33 collateral, not more than thirty-five days before the disposition;

34 (2) The amount of proceeds of the disposition;

35 (3) The aggregate amount of the obligations after deducting the  
36 amount of proceeds;

37 (4) The amount, in the aggregate or by type, and types of  
38 expenses, including expenses of retaking, holding, preparing for  
39 disposition, processing, and disposing of the collateral, and

1 attorneys' fees secured by the collateral which are known to the  
2 secured party and relate to the current disposition;

3 (5) The amount, in the aggregate or by type, and types of  
4 credits, including rebates of interest or credit service charges, to  
5 which the obligor is known to be entitled and which are not reflected  
6 in the amount in (1) of this subsection; and

7 (6) The amount of the surplus or deficiency.

8 (d) **Substantial compliance.** A particular phrasing of the  
9 explanation is not required. An explanation complying substantially  
10 with the requirements of subsection (a) of this section is  
11 sufficient, even if it includes minor errors that are not seriously  
12 misleading.

13 (e) **Charges for responses.** A debtor or consumer obligor is  
14 entitled without charge to one response to a request under this  
15 section during any six-month period in which the secured party did  
16 not send to the debtor or consumer obligor an explanation pursuant to  
17 subsection (b)(1) of this section. The secured party may require  
18 payment of a charge not exceeding twenty-five dollars for each  
19 additional response.

20 **Sec. 946.** RCW 62A.9A-619 and 2000 c 250 s 9A-619 are each  
21 amended to read as follows:

22 (a) **"Transfer statement."** In this section, "transfer statement"  
23 means a record (~~(authenticated)~~) signed by a secured party stating:

24 (1) That the debtor has defaulted in connection with an  
25 obligation secured by specified collateral;

26 (2) That the secured party has exercised its post-default  
27 remedies with respect to the collateral;

28 (3) That, by reason of the exercise, a transferee has acquired  
29 the rights of the debtor in the collateral; and

30 (4) The name and mailing address of the secured party, debtor,  
31 and transferee.

32 (b) **Effect of transfer statement.** A transfer statement entitles  
33 the transferee to the transfer of record of all rights of the debtor  
34 in the collateral specified in the statement in any official filing,  
35 recording, registration, or certificate-of-title system covering the  
36 collateral. If a transfer statement is presented with the applicable  
37 fee and request form to the official or office responsible for  
38 maintaining the system, the official or office shall:

39 (1) Accept the transfer statement;

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

4 (c) **Transfer not a disposition; no relief of secured party's**  
5 **duties.** A transfer of the record or legal title to collateral to a  
6 secured party under subsection (b) of this section or otherwise is  
7 not of itself a disposition of collateral under this Article and does  
8 not of itself relieve the secured party of its duties under this  
9 Article.

10 **Sec. 947.** RCW 62A.9A-620 and 2000 c 250 s 9A-620 are each  
11 amended to read as follows:

12 (a) **Conditions to acceptance in satisfaction.** A secured party may  
13 accept collateral in full or partial satisfaction of the obligation  
14 it secures only if:

15 (1) The debtor consents to the acceptance under subsection (c) of  
16 this section;

17 (2) The secured party does not receive, within the time set forth  
18 in subsection (d) of this section, a notification of objection to the  
19 proposal (~~(authenticated)~~) signed by:

20 (A) A person to which the secured party was required to send a  
21 proposal under RCW 62A.9A-621; or

22 (B) Any other person, other than the debtor, holding an interest  
23 in the collateral subordinate to the security interest that is the  
24 subject of the proposal; and

25 (3) Subsection (e) of this section does not require the secured  
26 party to dispose of the collateral or the debtor waives the  
27 requirement pursuant to RCW 62A.9A-624.

28 (b) **Purported acceptance ineffective.** A purported or apparent  
29 acceptance of collateral under this section is ineffective unless:

30 (1) The secured party consents to the acceptance in (~~an~~  
31 ~~authenticated~~) a signed record or sends a proposal to the debtor;  
32 and

33 (2) The conditions of subsection (a) of this section are met.

34 (c) **Debtor's consent.** For purposes of this section:

35 (1) A debtor consents to an acceptance of collateral in partial  
36 satisfaction of the obligation it secures only if the debtor agrees  
37 to the terms of the acceptance in a record (~~(authenticated)~~) signed  
38 after default; and

1 (2) A debtor consents to an acceptance of collateral in full  
2 satisfaction of the obligation it secures only if the debtor agrees  
3 to the terms of the acceptance in a record (~~(authenticated)~~) signed  
4 after default or the secured party:

5 (A) Sends to the debtor after default a proposal that is  
6 unconditional or subject only to a condition that collateral not in  
7 the possession of the secured party be preserved or maintained;

8 (B) In the proposal, proposes to accept collateral in full  
9 satisfaction of the obligation it secures; and

10 (C) Does not receive a notification of objection  
11 (~~(authenticated)~~) signed by the debtor within (~~(twenty)~~) 20 days  
12 after the proposal is sent.

13 (d) **Effectiveness of notification.** To be effective under  
14 subsection (a)(2) of this section, a notification of objection must  
15 be received by the secured party:

16 (1) In the case of a person to which the proposal was sent  
17 pursuant to RCW 62A.9A-621, within (~~(twenty)~~) 20 days after  
18 notification was sent to that person; and

19 (2) In other cases:

20 (A) Within (~~(twenty)~~) 20 days after the last notification was  
21 sent pursuant to RCW 62A.9A-621; or

22 (B) If a notification was not sent, before the debtor consents to  
23 the acceptance under subsection (c) of this section.

24 (e) **Mandatory disposition of consumer goods.** A secured party that  
25 has taken possession of collateral shall dispose of the collateral  
26 pursuant to RCW 62A.9A-610 within the time specified in subsection

27 (f) of this section if:

28 (1) Sixty percent of the cash price has been paid in the case of  
29 a purchase-money security interest in consumer goods; or

30 (2) Sixty percent of the principal amount of the obligation  
31 secured has been paid in the case of a nonpurchase-money security  
32 interest in consumer goods.

33 (f) **Compliance with mandatory disposition requirement.** To comply  
34 with subsection (e) of this section, the secured party shall dispose  
35 of the collateral:

36 (1) Within ninety days after taking possession; or

37 (2) Within any longer period to which the debtor and all  
38 secondary obligors have agreed in an agreement to that effect entered  
39 into and (~~(authenticated)~~) signed after default.

1       **Sec. 948.** RCW 62A.9A-621 and 2011 c 74 s 725 are each amended to  
2 read as follows:

3       (a) **Persons to which proposal to be sent.** A secured party that  
4 desires to accept collateral in full or partial satisfaction of the  
5 obligation it secures shall send its proposal to:

6       (1) Any other secured party or lienholder that, (~~ten~~) 10 days  
7 before the debtor consented to the acceptance, held a security  
8 interest in or other lien on the collateral perfected by the filing  
9 of a financing statement that:

10       (A) Identified the collateral;

11       (B) Was indexed under the debtor's name as of that date; and

12       (C) Was filed in the office or offices in which to file a  
13 financing statement against the debtor covering the collateral as of  
14 that date; and

15       (2) Any other secured party that, (~~ten~~) 10 days before the  
16 debtor consented to the acceptance, held a security interest in the  
17 collateral perfected by compliance with a statute, regulation, or  
18 treaty described in RCW 62A.9A-311(a).

19       (b) **Proposal to be sent to secondary obligor in partial**  
20 **satisfaction.** A secured party that desires to accept collateral in  
21 partial satisfaction of the obligation it secures shall send its  
22 proposal to any secondary obligor in addition to the persons  
23 described in subsection (a) of this section.

24       **Sec. 949.** RCW 62A.9A-624 and 2000 c 250 s 9A-624 are each  
25 amended to read as follows:

26       (a) **Waiver of disposition notification.** A debtor may waive the  
27 right to notification of disposition of collateral under RCW  
28 62A.9A-611 only by an agreement to that effect entered into and  
29 (~~authenticated~~) signed after default.

30       (b) **Waiver of mandatory disposition.** A debtor may waive the right  
31 to require disposition of collateral under RCW 62A.9A-620(e) only by  
32 an agreement to that effect entered into and (~~authenticated~~) signed  
33 after default.

34       (c) **Waiver of redemption right.** Except in a consumer-goods  
35 transaction, a debtor or secondary obligor may waive the right to  
36 redeem collateral under RCW 62A.9A-623 only by an agreement to that  
37 effect entered into and (~~authenticated~~) signed after default.

1       **Sec. 950.** RCW 62A.9A-628 and 2011 c 74 s 727 are each amended to  
2 read as follows:

3       (a) **Limitation of liability of secured party for noncompliance**  
4 **with article.** (~~Unless~~) Subject to subsection (f) of this section,  
5 unless a secured party knows that a person is a debtor or obligor,  
6 knows the identity of the person, and knows how to communicate with  
7 the person:

8       (1) The secured party is not liable to the person, or to a  
9 secured party or lienholder that has filed a financing statement  
10 against the person, for failure to comply with this Article; and

11       (2) The secured party's failure to comply with this Article does  
12 not affect the liability of the person for a deficiency.

13       (b) **Limitation of liability based on status as secured party.**  
14 (~~A~~) Subject to subsection (f) of this section, a secured party is  
15 not liable because of its status as secured party:

16       (1) To a person that is a debtor or obligor, unless the secured  
17 party knows:

18       (A) That the person is a debtor or obligor;

19       (B) The identity of the person; and

20       (C) How to communicate with the person; or

21       (2) To a secured party or lienholder that has filed a financing  
22 statement against a person, unless the secured party knows:

23       (A) That the person is a debtor; and

24       (B) The identity of the person.

25       (c) **Limitation of liability if reasonable belief that transaction**  
26 **not a consumer-goods transaction or consumer transaction.** A secured  
27 party is not liable to any person, and a person's liability for a  
28 deficiency is not affected, because of any act or omission arising  
29 out of the secured party's reasonable belief that a transaction is  
30 not a consumer-goods transaction or a consumer transaction or that  
31 goods are not consumer goods, if the secured party's belief is based  
32 on its reasonable reliance on:

33       (1) A debtor's representation concerning the purpose for which  
34 collateral was to be used, acquired, or held; or

35       (2) An obligor's representation concerning the purpose for which  
36 a secured obligation was incurred.

37       (d) **Limitation of liability for statutory damages.** A secured  
38 party is not liable to any person under RCW 62A.9A-625(c)(2) for its  
39 failure to comply with RCW 62A.9A-616.

1 (e) **Limitation of multiple liability for statutory damages.** A  
2 secured party is not liable under RCW 62A.9A-625(c)(2) more than once  
3 with respect to any one secured obligation.

4 (f) **Exception: Limitation of liability under subsections (a) and**  
5 **(b) of this section does not apply.** Subsections (a) and (b) of this  
6 section do not apply to limit the liability of a secured party to a  
7 person if, at the time the secured party obtains control of  
8 collateral that is a controllable account, controllable electronic  
9 record, or controllable payment intangible or at the time the  
10 security interest attaches to the collateral, whichever is later:

11 (1) The person is a debtor or obligor; and

12 (2) The secured party knows that the information in subsection  
13 (b)(1)(A), (B), or (C) of this section relating to the person is not  
14 provided by the collateral, a record attached to or logically  
15 associated with the collateral, or the system in which the collateral  
16 is recorded.

17 **PART X**

18 **ARTICLE 12**

19 **CONTROLLABLE ELECTRONIC RECORDS**

20 NEW SECTION. **Sec. 1001.** SECTION 12-101: TITLE. This Article may  
21 be cited as uniform commercial code—controllable electronic records.

22 NEW SECTION. **Sec. 1002.** SECTION 12-102: DEFINITIONS. (a)  
23 **Article 12 definitions.** In this Article:

24 (1) "Controllable electronic record" means a record stored in an  
25 electronic medium that can be subjected to control under section 1005  
26 of this act. The term does not include a controllable account, a  
27 controllable payment intangible, a deposit account, an electronic  
28 copy of a record evidencing chattel paper, an electronic document of  
29 title, electronic money, investment property, or a transferable  
30 record.

31 (2) "Qualifying purchaser" means a purchaser of a controllable  
32 electronic record or an interest in a controllable electronic record  
33 that obtains control of the controllable electronic record for value,  
34 in good faith, and without notice of a claim of a property right in  
35 the controllable electronic record.

36 (3) "Transferable record" has the meaning provided for that term  
37 in:

1 (A) Section 201(a)(1) of the electronic signatures in global and  
2 national commerce act, 15 U.S.C. Sec. 7021(a)(1); or

3 (B) RCW 1.80.150(1).

4 (4) "Value" has the meaning provided in RCW 62A.3-303(a), as if  
5 references in that subsection to an "instrument" were references to a  
6 controllable account, controllable electronic record, or controllable  
7 payment intangible.

8 (b) **Definitions in Article 9A.** The definitions in Article 9A of  
9 this title of "account debtor," "controllable account," "controllable  
10 payment intangible," "chattel paper," "deposit account," "electronic  
11 money," and "investment property" apply to this Article.

12 (c) **Article 1 definitions and principles.** Article 1 of this title  
13 contains general definitions and principles of construction and  
14 interpretation applicable throughout this Article.

15 NEW SECTION. **Sec. 1003.** SECTION 12-103: RELATION TO ARTICLE 9  
16 AND CONSUMER LAWS. (a) **Article 9A governs in case of conflict.** If  
17 there is conflict between this Article and Article 9A of this title,  
18 Article 9A of this title governs.

19 (b) **Applicable consumer law and other laws.** A transaction subject  
20 to this Article is subject to any applicable rule of law that  
21 establishes a different rule for consumers and chapter 19.86 RCW.

22 NEW SECTION. **Sec. 1004.** SECTION 12-104: RIGHTS IN CONTROLLABLE  
23 ACCOUNT, CONTROLLABLE ELECTRONIC RECORD, AND CONTROLLABLE PAYMENT  
24 INTANGIBLE. (a) **Applicability of section to controllable account and**  
25 **controllable payment intangible.** This section applies to the  
26 acquisition and purchase of rights in a controllable account or  
27 controllable payment intangible, including the rights and benefits  
28 under subsections (c), (d), (e), (g), and (h) of this section of a  
29 purchaser and qualifying purchaser, in the same manner this section  
30 applies to a controllable electronic record.

31 (b) **Control of controllable account and controllable payment**  
32 **intangible.** To determine whether a purchaser of a controllable  
33 account or a controllable payment intangible is a qualifying  
34 purchaser, the purchaser obtains control of the account or payment  
35 intangible if it obtains control of the controllable electronic  
36 record that evidences the account or payment intangible.

37 (c) **Applicability of other law to acquisition of rights.** Except  
38 as provided in this section, law other than this Article determines

1 whether a person acquires a right in a controllable electronic record  
2 and the right the person acquires.

3 (d) **Shelter principle and purchase of limited interest.** A  
4 purchaser of a controllable electronic record acquires all rights in  
5 the controllable electronic record that the transferor had or had  
6 power to transfer, except that a purchaser of a limited interest in a  
7 controllable electronic record acquires rights only to the extent of  
8 the interest purchased.

9 (e) **Rights of qualifying purchaser.** A qualifying purchaser  
10 acquires its rights in the controllable electronic record free of a  
11 claim of a property right in the controllable electronic record.

12 (f) **Limitation of rights of qualifying purchaser in other**  
13 **property.** Except as provided in subsections (a) and (e) of this  
14 section for a controllable account and a controllable payment  
15 intangible or law other than this Article, a qualifying purchaser  
16 takes a right to payment, right to performance, or other interest in  
17 property evidenced by the controllable electronic record subject to a  
18 claim of a property right in the right to payment, right to  
19 performance, or other interest in property.

20 (g) **No-action protection for qualifying purchaser.** An action may  
21 not be asserted against a qualifying purchaser based on both a  
22 purchase by the qualifying purchaser of a controllable electronic  
23 record and a claim of a property right in another controllable  
24 electronic record, whether the action is framed in conversion,  
25 replevin, constructive trust, equitable lien, or other theory.

26 (h) **Filing not notice.** Filing of a financing statement under  
27 Article 9A of this title is not notice of a claim of a property right  
28 in a controllable electronic record.

29 NEW SECTION. **Sec. 1005.** SECTION 12-105: CONTROL OF CONTROLLABLE  
30 ELECTRONIC RECORD. (a) **General rule: Control of controllable**  
31 **electronic record.** A person has control of a controllable electronic  
32 record if the electronic record, a record attached to or logically  
33 associated with the electronic record, or a system in which the  
34 electronic record is recorded:

35 (1) Gives the person:

36 (A) Power to avail itself of substantially all the benefit from  
37 the electronic record; and

38 (B) Exclusive power, subject to subsection (b) of this section,  
39 to:

1 (i) Prevent others from availing themselves of substantially all  
2 the benefit from the electronic record; and

3 (ii) Transfer control of the electronic record to another person  
4 or cause another person to obtain control of another controllable  
5 electronic record as a result of the transfer of the electronic  
6 record; and

7 (2) Enables the person readily to identify itself in any way,  
8 including by name, identifying number, cryptographic key, office, or  
9 account number, as having the powers specified in (1) of this  
10 subsection.

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

14 (1) The controllable electronic record, a record attached to or  
15 logically associated with the electronic record, or a system in which  
16 the electronic record is recorded limits the use of the electronic  
17 record or has a protocol programmed to cause a change, including a  
18 transfer or loss of control or a modification of benefits afforded by  
19 the electronic record; or

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

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

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

26 (2) The other person:

27 (A) Can exercise the power without exercise of the power by the  
28 person; or

29 (B) Is the transferor to the person of an interest in the  
30 controllable electronic record or a controllable account or  
31 controllable payment intangible evidenced by the controllable  
32 electronic record.

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 a  
37 controllable electronic record if another person, other than the  
38 transferor to the person of an interest in the controllable  
39 electronic record or a controllable account or controllable payment  
40 intangible evidenced by the controllable electronic record:

1 (1) Has control of the electronic record and acknowledges that it  
2 has control on behalf of the person; or

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

6 (f) **No requirement to acknowledge.** A person that has control  
7 under this section is not required to acknowledge that it has control  
8 on behalf of another person.

9 (g) **No duties or confirmation.** If a person acknowledges that it  
10 has or will obtain control on behalf of another person, unless the  
11 person otherwise agrees or law other than this Article or Article 9A  
12 of this title otherwise provides, the person does not owe any duty to  
13 the other person and is not required to confirm the acknowledgment to  
14 any other person.

15 NEW SECTION. **Sec. 1006.** SECTION 12-106: DISCHARGE OF ACCOUNT  
16 DEBTOR ON CONTROLLABLE ACCOUNT OR CONTROLLABLE PAYMENT INTANGIBLE.

17 (a) **Discharge of account debtor.** An account debtor on a controllable  
18 account or controllable payment intangible may discharge its  
19 obligation by paying:

20 (1) The person having control of the controllable electronic  
21 record that evidences the controllable account or controllable  
22 payment intangible; or

23 (2) Except as provided in subsection (b) of this section, a  
24 person that formerly had control of the controllable electronic  
25 record.

26 (b) **Content and effect of notification.** Subject to subsection (d)  
27 of this section, the account debtor may not discharge its obligation  
28 by paying a person that formerly had control of the controllable  
29 electronic record if the account debtor receives a notification that:

30 (1) Is signed by a person that formerly had control or the person  
31 to which control was transferred;

32 (2) Reasonably identifies the controllable account or  
33 controllable payment intangible;

34 (3) Notifies the account debtor that control of the controllable  
35 electronic record that evidences the controllable account or  
36 controllable payment intangible was transferred;

37 (4) Identifies the transferee, in any reasonable way, including  
38 by name, identifying number, cryptographic key, office, or account  
39 number; and

1 (5) Provides a commercially reasonable method by which the  
2 account debtor is to pay the transferee.

3 (c) **Discharge following effective notification.** After receipt of  
4 a notification that complies with subsection (b) of this section, the  
5 account debtor may discharge its obligation by paying in accordance  
6 with the notification and may not discharge the obligation by paying  
7 a person that formerly had control.

8 (d) **When notification ineffective.** Subject to subsection (h) of  
9 this section, notification is ineffective under subsection (b) of  
10 this section:

11 (1) Unless, before the notification is sent, the account debtor  
12 and the person that, at that time, had control of the controllable  
13 electronic record that evidences the controllable account or  
14 controllable payment intangible agree in a signed record to a  
15 commercially reasonable method by which a person may furnish  
16 reasonable proof that control has been transferred;

17 (2) To the extent an agreement between the account debtor and  
18 seller of a payment intangible limits the account debtor's duty to  
19 pay a person other than the seller and the limitation is effective  
20 under law other than this Article; or

21 (3) At the option of the account debtor, if the notification  
22 notifies the account debtor to:

23 (A) Divide a payment;

24 (B) Make less than the full amount of an installment or other  
25 periodic payment; or

26 (C) Pay any part of a payment by more than one method or to more  
27 than one person.

28 (e) **Proof of transfer of control.** Subject to subsection (h) of  
29 this section, if requested by the account debtor, the person giving  
30 the notification under subsection (b) of this section seasonably  
31 shall furnish reasonable proof, using the method in the agreement  
32 referred to in subsection (d)(1) of this section, that control of the  
33 controllable electronic record has been transferred. Unless the  
34 person complies with the request, the account debtor may discharge  
35 its obligation by paying a person that formerly had control, even if  
36 the account debtor has received a notification under subsection (b)  
37 of this section.

38 (f) **What constitutes reasonable proof.** A person furnishes  
39 reasonable proof under subsection (e) of this section that control  
40 has been transferred if the person demonstrates, using the method in

1 the agreement referred to in subsection (d)(1) of this section, that  
2 the transferee has the power to:

3 (1) Avail itself of substantially all the benefit from the  
4 controllable electronic record;

5 (2) Prevent others from availing themselves of substantially all  
6 the benefit from the controllable electronic record; and

7 (3) Transfer the powers specified in (1) and (2) of this  
8 subsection to another person.

9 (g) **Rights not waivable.** Subject to subsection (h) of this  
10 section, an account debtor may not waive or vary its rights under  
11 subsections (d)(1) and (e) of this section or its option under  
12 subsection (d)(3) of this section.

13 (h) **Rule for individual under other law.** This section is subject  
14 to law other than this Article which establishes a different rule for  
15 an account debtor who is an individual and who incurred the  
16 obligation primarily for personal, family, or household purposes.

17 NEW SECTION. **Sec. 1007.** SECTION 12-107: GOVERNING LAW. (a)  
18 **Governing law: General rule.** Except as provided in subsection (b) of  
19 this section, the local law of a controllable electronic record's  
20 jurisdiction governs a matter covered by this Article.

21 (b) **Governing law: Section 1006 of this act.** For a controllable  
22 electronic record that evidences a controllable account or  
23 controllable payment intangible, the local law of the controllable  
24 electronic record's jurisdiction governs a matter covered by section  
25 1006 of this act unless an effective agreement determines that the  
26 local law of another jurisdiction governs.

27 (c) **Controllable electronic record's jurisdiction.** The following  
28 rules determine a controllable electronic record's jurisdiction under  
29 this section:

30 (1) If the controllable electronic record, or a record attached  
31 to or logically associated with the controllable electronic record  
32 and readily available for review, expressly provides that a  
33 particular jurisdiction is the controllable electronic record's  
34 jurisdiction for purposes of this Article or this title, that  
35 jurisdiction is the controllable electronic record's jurisdiction.

36 (2) If (1) of this subsection does not apply and the rules of the  
37 system in which the controllable electronic record is recorded are  
38 readily available for review and expressly provide that a particular  
39 jurisdiction is the controllable electronic record's jurisdiction for

1 purposes of this Article or this title, that jurisdiction is the  
2 controllable electronic record's jurisdiction.

3 (3) If (1) and (2) of this subsection do not apply and the  
4 controllable electronic record, or a record attached to or logically  
5 associated with the controllable electronic record and readily  
6 available for review, expressly provides that the controllable  
7 electronic record is governed by the law of a particular  
8 jurisdiction, that jurisdiction is the controllable electronic  
9 record's jurisdiction.

10 (4) If (1), (2), and (3) of this subsection do not apply and the  
11 rules of the system in which the controllable electronic record is  
12 recorded are readily available for review and expressly provide that  
13 the controllable electronic record or the system is governed by the  
14 law of a particular jurisdiction, that jurisdiction is the  
15 controllable electronic record's jurisdiction.

16 (5) If (1) through (4) of this subsection do not apply, the  
17 controllable electronic record's jurisdiction is the District of  
18 Columbia.

19 (d) **Applicability of Article 12.** If subsection (c)(5) of this  
20 section applies and this Article 12 is not in effect in the District  
21 of Columbia without material modification, the governing law for a  
22 matter covered by this Article is the law of the District of Columbia  
23 as though Article 12 were in effect in the District of Columbia  
24 without material modification. In this subsection, "Article 12" means  
25 Article 12 of Uniform Commercial Code Amendments (2022).

26 (e) **Relation of matter or transaction to controllable electronic**  
27 **record's jurisdiction not necessary.** To the extent subsections (a)  
28 and (b) of this section provide that the local law of the  
29 controllable electronic record's jurisdiction governs a matter  
30 covered by this Article, that law governs even if the matter or a  
31 transaction to which the matter relates does not bear any relation to  
32 the controllable electronic record's jurisdiction.

33 (f) **Rights of purchasers determined at time of purchase.** The  
34 rights acquired under section 1004 of this act by a purchaser or  
35 qualifying purchaser are governed by the law applicable under this  
36 section at the time of purchase.

37 **PART XI**

38 **ARTICLE A**

39 **TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL CODE**

1 **AMENDMENTS (2022)**

2 **GENERAL PROVISIONS AND DEFINITIONS**

3 NEW SECTION. **Sec. 1101.** SECTION A-101: TITLE. This Article may  
4 be cited as transitional provisions for Uniform Commercial Code  
5 Amendments (2022).

6 NEW SECTION. **Sec. 1102.** SECTION A-102: DEFINITIONS. (a) **Article**  
7 **A Definitions.** In this article:

8 (1) "Adjustment date" means July 1, 2025, or the date that is one  
9 year after the effective date of this section, whichever is later.

10 (2) "Article 12" means Article -- of this title (the new Article  
11 created by section 1201 of this act).

12 (3) "Article 12 property" means a controllable account,  
13 controllable electronic record, or controllable payment intangible.

14 (b) **Definitions in other articles.** The following definitions in  
15 other articles of this title apply to this Article.

16 "Controllable account." RCW 62A.9A-102.

17 "Controllable electronic record." Section 1002 of this act.

18 "Controllable payment intangible." RCW 62A.9A-102.

19 "Electronic money." RCW 62A.9A-102.

20 "Financing statement." RCW 62A.9A-102.

21 (c) **Article 1 definitions and principles.** Article 1 of this title  
22 contains general definitions and principles of construction and  
23 interpretation applicable throughout this Article.

24 **GENERAL TRANSITIONAL PROVISION**

25 NEW SECTION. **Sec. 1103.** SECTION A-201: SAVING CLAUSE. Except as  
26 provided in sections 1104 through 1109 of this act, a transaction  
27 validly entered into before the effective date of this section and  
28 the rights, duties, and interests flowing from the transaction remain  
29 valid thereafter and may be terminated, completed, consummated, or  
30 enforced as required or permitted by law other than this title or, if  
31 applicable, this title, as though this act had not taken effect.

32 **TRANSITIONAL PROVISIONS FOR ARTICLES 9A AND 12**

33 NEW SECTION. **Sec. 1104.** SECTION A-301: SAVING CLAUSE. (a)  
34 **Preeffective-date transaction, lien, or interest.** Except as provided

1 in this part, Article 9A of this title as amended by this act and  
2 Article 12 apply to a transaction, lien, or other interest in  
3 property, even if the transaction, lien, or interest was entered  
4 into, created, or acquired before the effective date of this section.

5 (b) **Continuing validity.** Except as provided in subsection (c) of  
6 this section and sections 1005 through 1109 of this act:

7 (1) A transaction, lien, or interest in property that was validly  
8 entered into, created, or transferred before the effective date of  
9 this section and was not governed by this title, but would be subject  
10 to Article 9A of this title as amended by this act or Article 12 if  
11 it had been entered into, created, or transferred on or after the  
12 effective date of this section, including the rights, duties, and  
13 interests flowing from the transaction, lien, or interest, remains  
14 valid on and after the effective date of this section; and

15 (2) The transaction, lien, or interest may be terminated,  
16 completed, consummated, and enforced as required or permitted by this  
17 act or by the law that would apply if this act had not taken effect.

18 (c) **Preeffective-date proceeding.** This act does not affect an  
19 action, case, or proceeding commenced before the effective date of  
20 this section.

21 NEW SECTION. **Sec. 1105.** SECTION A-302: SECURITY INTEREST  
22 PERFECTED BEFORE EFFECTIVE DATE. (a) **Continuing perfection:**  
23 **Perfection requirements satisfied.** A security interest that is  
24 enforceable and perfected immediately before the effective date of  
25 this section is a perfected security interest under this act if, on  
26 the effective date of this section, the requirements for  
27 enforceability and perfection under this act are satisfied without  
28 further action.

29 (b) **Continuing perfection: Enforceability or perfection**  
30 **requirements not satisfied.** If a security interest is enforceable and  
31 perfected immediately before the effective date of this section, but  
32 the requirements for enforceability or perfection under this act are  
33 not satisfied on the effective date of this section, the security  
34 interest:

35 (1) Is a perfected security interest until the earlier of the  
36 time perfection would have ceased under the law in effect immediately  
37 before the effective date of this section or the adjustment date;

1 (2) Remains enforceable thereafter only if the security interest  
2 satisfies the requirements for enforceability under RCW 62A.9A-203,  
3 as amended by this act, before the adjustment date; and

4 (3) Remains perfected thereafter only if the requirements for  
5 perfection under this act are satisfied before the time specified in  
6 (1) of this subsection.

7 NEW SECTION. **Sec. 1106.** SECTION A-303: SECURITY INTEREST  
8 UNPERFECTED BEFORE EFFECTIVE DATE. A security interest that is  
9 enforceable immediately before the effective date of this section but  
10 is unperfected at that time:

11 (a) Remains an enforceable security interest until the adjustment  
12 date;

13 (b) Remains enforceable thereafter if the security interest  
14 becomes enforceable under RCW 62A.9A-203, as amended by this act, on  
15 the effective date of this section or before the adjustment date; and

16 (c) Becomes perfected:

17 (1) Without further action, on the effective date of this section  
18 if the requirements for perfection under this act are satisfied  
19 before or at that time; or

20 (2) When the requirements for perfection are satisfied if the  
21 requirements are satisfied after that time.

22 NEW SECTION. **Sec. 1107.** SECTION A-304: EFFECTIVENESS OF ACTIONS  
23 TAKEN BEFORE EFFECTIVE DATE. (a) **Preeffective-date action; attachment**  
24 **and perfection before adjustment date.** If action, other than the  
25 filing of a financing statement, is taken before the effective date  
26 of this section and the action would have resulted in perfection of  
27 the security interest had the security interest become enforceable  
28 before the effective date of this section, the action is effective to  
29 perfect a security interest that attaches under this act before the  
30 adjustment date. An attached security interest becomes unperfected on  
31 the adjustment date unless the security interest becomes a perfected  
32 security interest under this act before the adjustment date.

33 (b) **Preeffective-date filing.** The filing of a financing statement  
34 before the effective date of this section is effective to perfect a  
35 security interest on the effective date of this section to the extent  
36 the filing would satisfy the requirements for perfection under this  
37 act.

1 (c) **Preeffective-date enforceability action.** The taking of an  
2 action before the effective date of this section is sufficient for  
3 the enforceability of a security interest on the effective date of  
4 this section if the action would satisfy the requirements for  
5 enforceability under this act.

6 NEW SECTION. **Sec. 1108.** SECTION A-305: PRIORITY. (a)  
7 **Determination of priority.** Subject to subsections (b) and (c) of this  
8 section, this act determines the priority of conflicting claims to  
9 collateral.

10 (b) **Established priorities.** Subject to subsection (c) of this  
11 section, if the priorities of claims to collateral were established  
12 before the effective date of this section, Article 9A of this title  
13 as in effect before the effective date of this section determines  
14 priority.

15 (c) **Determination of certain priorities on adjustment date.** On  
16 the adjustment date, to the extent the priorities determined by  
17 Article 9A of this title as amended by this act modify the priorities  
18 established before the effective date of this section, the priorities  
19 of claims to Article 12 property and electronic money established  
20 before the effective date of this section cease to apply.

21 NEW SECTION. **Sec. 1109.** SECTION A-306: PRIORITY OF CLAIMS WHEN  
22 PRIORITY RULES OF ARTICLE 9A DO NOT APPLY. (a) **Determination of**  
23 **priority.** Subject to subsections (b) and (c) of this section, Article  
24 12 determines the priority of conflicting claims to Article 12  
25 property when the priority rules of Article 9A of this title as  
26 amended by this act do not apply.

27 (b) **Established priorities.** Subject to subsection (c) of this  
28 section, when the priority rules of Article 9A of this title as  
29 amended by this act do not apply and the priorities of claims to  
30 Article 12 property were established before the effective date of  
31 this section, law other than Article 12 determines priority.

32 (c) **Determination of certain priorities on adjustment date.** When  
33 the priority rules of Article 9A of this title as amended by this act  
34 do not apply, to the extent the priorities determined by this act  
35 modify the priorities established before the effective date of this  
36 section, the priorities of claims to Article 12 property established  
37 before the effective date of this section cease to apply on the  
38 adjustment date.

**PART XII**

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2       NEW SECTION.   **Sec. 1201.**   Sections 1001 through 1007 of this act  
3 constitute a new Article in Title 62A RCW.

4       NEW SECTION.   **Sec. 1202.**   Sections 1101 through 1109 of this act  
5 constitute a new Article in Title 62A RCW.

6       NEW SECTION.   **Sec. 1203.**   This act takes effect January 1, 2024.

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