HB 2124 – Proposed Amendments – RS – Jason Thompson

84-9-408. Restrictions on assignment of promissory notes, health-care-insurance receivables, and certain general intangibles ineffective. (a) **Term restricting assignment generally ineffective.** Except as otherwise provided in subsection (b) and subsection (g) of K.S.A. 17-76,134, and amendments thereto, a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

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

(2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

(b) **Applicability of subsection (a) to sales of certain rights to payment.** Subsection (a) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note, other than a sale pursuant to a disposition under K.S.A. 2014 Supp. 84-9-610, and amendments thereto, or an acceptance of collateral under K.S.A. 2014 Supp. 84-9-620, and amendments thereto.

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(c) **Legal restrictions on assignment generally ineffective.** Except as otherwise provided in and* subsection (g) of K.S.A. 17-76,134, and amendments thereto, a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or general intangible, including a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute, or regulation:

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

(2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

(d) **Limitation on ineffectiveness under subsections (a) and (c).** To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or regulation described in subsection (c) would be effective under law other than this article but is ineffective under subsection (a) or (c), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

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

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

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

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

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

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

(e) **Section prevails over specified inconsistent law.** This section prevails over any inconsistent provisions of any laws, rules, and regulations of this state.

History: L. 2000, ch. 142, § 70; L. 2012, ch. 84, § 9; L. 2014, ch. 40, § 67; July 1.

* "and" should be deleted.

Revisor's Note:

Former section 84-9-408 was repealed by L. 2000, ch. 142, § 155 and the number reassigned to the current text.

84-9-803. Security interest perfected before effective date. (a) **Continuing perfection: Perfection requirements satisfied.** A security interest that is a perfected security interest immediately before July 1, 2013, is a perfected security interest under article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, if, on July 1, 2013, the applicable requirements for attachment and perfection under article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, are satisfied without further action.

X (b) **Continuing perfection: Perfection requirements not satisfied.** Except as otherwise provided in K.S.A. 2014 Supp. 84-9-806 [84-9-805] ,* and amendments thereto, if immediately before July 1, 2013, a security interest is a perfected security interest, but the applicable requirements for perfection under article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, are not satisfied on July 1, 2013, the security interest remains perfected thereafter only if the applicable requirements for perfection under article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, are satisfied within one year after July 1, 2013.

History: L. 2012, ch. 84, § 20; July 1, 2013.

* Reference should be to 84-9-805.

84-9-805. Effectiveness of action taken before effective date. (a) **Pre-effective-date filing effective.** The filing of a financing statement before July 1, 2013, is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under article 9 of chapter 84 of the Kansas Statutes Annotated, and as amended by this act.

(b) **When pre-effective-date filing becomes ineffective.** This act does not render ineffective an effective financing statement that, before July 1, 2013, is filed and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in article 9 of chapter 84 of the Kansas Statutes Annotated, prior to amendments by this act. However, except as otherwise provided in subsections (c) and (d) of [and]* K.S.A. 2014 Supp. 84-9-807 [84-9-806] ,* and amendments thereto, the financing statement ceases to be effective:

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(1) If the financing statement is filed in this state, at the time the financing statement would have ceased to be effective had this act not taken effect; or

(2) if the financing statement is filed in another jurisdiction, at the earlier of:

(A) At the time the financing statement would have ceased to be effective under the law of that jurisdiction; or

(B) June 30, 2018.

(c) **Continuation statement.** The filing of a continuation statement after July 1, 2013, does not continue the effectiveness of a financing statement filed before this act takes effect. However, upon the timely filing of a continuation statement after July 1, 2013, and in accordance with the law of the jurisdiction governing perfection as provided in article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, the effectiveness of a financing statement filed in the same office in that jurisdiction before July 1, 2013, continues for a period provided by the law of that jurisdiction.

(d) **Application of subsection (b)(2)(B) to transmitting utility financing statement.** Subsection (b)(2)(B) applies to a financing statement that, before July 1, 2013, is filed against a transmitting utility and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in article 9 of chapter 84 of the Kansas Statutes Annotated, prior to amendments by this act, only to the extent that article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, provides that the law of a jurisdiction other than the jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

(e) **Application of part 5.** A financing statement that includes a financing statement filed before July 1, 2013, and a continuation statement filed after July 1, 2013, is effective only to the extent that it satisfies the requirements of part 5 of article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, for an initial financing statement. A financing statement that indicates that the debtor is a decedent's estate indicates that the collateral is being administered by a personal representative within the meaning of K.S.A. 2014 Supp. 84-9-503(a)(2), as amended by this act. A financing statement that indicates that the debtor is a trust or trustee acting with respect to property held in trust indicates that the collateral is held in a trust within the meaning of K.S.A. 2014 Supp. 84-9-503(a)(3), as amended by this act.

History: L. 2012, ch. 84, § 22; July 1, 2013.

* The word "of" should be "and"; and the reference should be to 84-9-806.

84-9-807. Amendment of pre-effective date financing statement. (a) **Pre-effective-date financing statement.** In this section, "pre-effective-date financing statement" means a financing statement filed before July 1, 2013.

(b) **Applicable law.** After July 1, 2013, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or otherwise amend the information provided in, a pre-effective-date financing statement only in accordance with the law of the jurisdiction governing perfection as provided in article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act. However, the effectiveness of a pre-effective-date financing statement also may be terminated in accordance with the law of the jurisdiction in which the financing statement is filed.

(c) **Method of amending: General rule.** Except as otherwise provided in subsection (d), if the law of this state governs perfection of a security interest, the information in a pre-effective-date financing statement may be amended after July 1, 2013, only if:

(1) The pre-effective-date financing statement and an amendment are filed in the office specified in K.S.A. 2014 Supp. 84-9-501, and amendments thereto;

(2) an amendment is filed in the office specified in K.S.A. 2014 Supp. 84-9-501, and amendments thereto, concurrently with, or after the filing in that office of, an initial financing statement that satisfies subsection (c) of [and]*K.S.A. 2014 Supp. 84-9-807 [84-9-806] ,* and amendments thereto; or

(3) an initial financing statement that provides the information as amended and satisfies subsection (c) of K.S.A. 2014 Supp. 84-9-807, and amendments thereto, is filed in the office specified in K.S.A. 2014 Supp. 84-9-501, and amendments thereto.

(d) **Method of amending: Continuation.** If the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement may be continued only under subsections (c) and (e) of K.S.A. 2014 Supp. 84-9-806 [84-9-805] ,* and amendments thereto, or K.S.A. 2014 Supp. 84-9-807 [84-9-806] ,* and amendments thereto.

(e) **Method of amending: Additional termination rule.** Whether or not the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement filed in this state may be terminated after July 1, 2013, by filing a termination statement in the office in which the pre-effective-date financing statement is filed, unless an initial financing statement that satisfies subsection (c) of K.S.A. 2014 Supp. 84-9-807 [84-9-806] ,*, and amendments thereto, has been filed in the office specified by the law of the jurisdiction governing perfection as provided in article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by this act, as the office in which to file a financing statement.

History: L. 2012, ch. 84, § 24; July 1, 2013.

* The correct references appear in the brackets.