

A BILL FOR AN ACT

To amend title 33 of the Code of the Federated States of Micronesia, regarding secured transactions, by repealing subchapters I and II in their entirety, and by adding new subchapters I, II, III, IV and V, to incorporate the UCC as adopted; and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Subchapters I and II of chapter 9 of title 33 of
2 the Code of the Federated States of Micronesia are hereby repealed
3 in their entirety.

4 Section 2. Chapter 9 of title 33 of the Code of the Federated
5 States of Micronesia is hereby amended by adding a new subchapter I,
6 entitled "Applicability and Definitions"; by adding a new subchapter
7 II, entitled "Validity of Security Agreement and Rights of Parties
8 thereto"; by adding a new subchapter III, entitled "Rights of Third
9 Parties; Perfected and Unperfected Security Interests; Rules of
10 Priority"; by adding a new subchapter IV entitled "Filing"; and by
11 adding a new subchapter V entitled "Default".

12 Section 3. Chapter 9 of title 33 of the Code of the Federated
13 States of Micronesia is hereby amended by adding a new section 9-101
14 of subchapter I to read as follows:

15 "Section 9-101. Short title. This chapter shall be
16 known and may be cited as the 'Secured Transactions Act
17 of 1999', or 'The Uniform Commercial Code (UCC), as
18 adopted'."

19 Section 4. Chapter 9 of title 33 of the Code of the Federated
20 States of Micronesia is hereby amended by adding a new section 9-102
21 of subchapter I to read as follows:

22 "Section 9-102. Policy and subject matter of chapter.

23 (1) Except as otherwise provided in section 9-104 of
24 this title on excluded transactions, this chapter
25 applies:

(a) to any transaction (regardless of its form)
which is intended to create a security interest in
personal property or fixtures including goods, documents,
instruments, general intangibles, chattel paper or
accounts; and

(b) to any sale of accounts or chattel paper.

(2) This chapter applies to security interests created
by contract including pledge, assignment, chattel
mortgage, chattel trust, trust deed, factor's lien,
equipment trust, conditional sale, trust receipt, other
lien or title retention contract and lease or consignment
intended as security. This chapter does not apply to
statutory liens except as provided in section 9-310 of
this title.

(3) The application of this chapter to a security
interest in a secured obligation is not affected by the
fact that the obligation is itself secured by a
transaction or interest to which this chapter does not
apply."

Section 5. Chapter 9 of title 33 of the Code of the Federated
States of Micronesia is hereby amended by adding a new section 9-104
of subchapter I to read as follows:

"Section 9-104. Transactions excluded from chapter.

This chapter does not apply:

(1) to a security interest subject to any other statute

of the Federated States of Micronesia, to the extent that
such statute governs the rights of parties to and third
parties affected by transactions in particular types of
property; or

(2) to a landlord's lien; or

(3) to a lien given by statute or other rule of law for
services or materials except as provided in section 9-310
of this title on priority of such liens; or

(4) to a transfer of a claim for wages, salary or other
compensation of an employee; or

(5) to a transfer by a government or governmental
subdivision or agency; or

(6) to a sale of accounts or chattel paper as part of a
sale of the business out of which they arose, or an
assignment of accounts or chattel paper which is for the
purpose of collection only, or a transfer of a right to
payment under a contract to an assignee who is also to do
the performance under the contract or a transfer of a
single account to an assignee in whole or partial
satisfaction of a preexisting indebtedness; or

(7) to a transfer of an interest or claim in or under
any policy of insurance, except as provided with respect
to proceeds (section 9-306 of this title) and priorities
in proceeds (section 9-312 of this title); or

(8) to a right represented by a judgment (other than a

1 judgment taken on a right to payment which was
2 collateral); or
3 (9) to any right of setoff; or
4 (10) except to the extent that provision is made for
5 fixtures in section 9-313 of this title, to the creation
6 or transfer of an interest in or lien on real estate,
7 including a lease or rents thereunder or a seller's or
8 purchaser's interest in a land sale contract and the
9 proceeds thereof; or
10 (11) to a transfer in whole or in part of any claim
11 arising out of tort; or
12 (12) to a transfer of an interest in any deposit account
13 (subsection (1) of section 9-105 of this title), except
14 as provided with respect to proceeds (section 9-306 of
15 this title) and priorities in proceeds (section 9-312 of
16 this title)."

17 Section 6. Chapter 9 of title 33 of the Code of the Federated
18 States of Micronesia is hereby amended by adding a new section 9-105
19 of subchapter I to read as follows:

20 "Section 9-105. Definitions.

21 In this chapter unless the context otherwise requires:

22 (1) 'Account' means any right to payment for goods sold
23 or leased or for services rendered which is not evidenced
24 by an instrument or chattel paper, whether or not it has
25 been earned by performance.

1 (2) 'Account debtor' means the person who is obligated
2 on an account, chattel paper or general intangible.

3 (3) 'Chattel paper' means a writing or writings which
4 evidence both a monetary obligation and a security
5 interest in or a lease of specific goods, but a chattel
6 or other contract involving the use or hire of a vessel
7 is not chattel paper. When a transaction is evidenced
8 both by such a security agreement or a lease and by an
9 instrument or a series of instruments, the group of
10 writings taken together constitutes chattel paper.

11 (4) 'Collateral' means the property subject to a
12 security interest, and includes accounts and chattel
13 paper which have been sold.

14 (5) 'Debtor' means the person who owes payment or other
15 performance of the obligation secured, whether or not the
16 person owns or has rights in the collateral, and includes
17 the seller of accounts or chattel paper. Where the
18 debtor and the owner of the collateral are not the same
19 person, the term 'debtor' means the owner of the
20 collateral, the obligor in any provision dealing with the
21 obligation, and may include both where the context so
22 requires.

23 (6) 'Deposit account' means a demand, time, savings,
24 passbook or like account maintained with a bank, savings
25 and loan association, credit union or like organization,

other than an account evidenced by a certificate of deposit.

(7) 'Document' means document of title and includes bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of goods, and also any other document which, in the regular course of business or financing, is treated as adequately evidencing that the person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers; to be a document of title a document must purport to be issued by or addressed to a bailee and purport to cover goods in the bailee's possession which are either identified or are fungible portions of an identified mass.

(8) 'Encumbrance' includes real estate mortgages and other liens on real estate and all other rights in real estate that are not ownership interest.

(9) 'General intangibles' means any personal property (including things in action) other than goods, account, chattel paper, documents, instruments, and money. All rights to payment earned or unearned under a charter or other contract involving the use or hire of a vessel and all rights incident to the charter or contract are accounts.

(10) 'Goods' includes all things which are movable at

1 the time the security interest attaches or which are
2 fixtures (section 9-313 of this title), but does not
3 include money, documents, instruments, accounts, chattel
4 paper, general intangibles, or minerals or the like
5 (including oil and gas) before extraction. 'Goods' also
6 includes standing timber which is to be cut and removed
7 under a conveyance or contract for sale, and the unborn
8 young of animals, and growing crops.

9 (11) 'Instrument' means a negotiable instrument, or a
10 certificated security or any other writing which
11 evidences a right to the payment of money and is not
12 itself a security agreement or lease and is of a type
13 which is in ordinary course or business transferred by
14 delivery with any necessary endorsement or assignment.

15 (12) 'Mortgage' means a consensual interest created by
16 real estate mortgage, a trust deed on real estate, or the
17 like.

18 (13) A security interest is a 'purchase money security
19 interest' to the extent that it is:

20 (a) taken or retained by the seller of the
21 collateral to secure all or part of its price; or

22 (b) taken by a person who, by making advances or
23 incurring an obligation, gives value to enable the debtor
24 to acquire rights in or the use of collateral if such
25 value is in fact so used.

(14) An advance is made 'pursuant to commitment' if the secured party has bound himself or herself to make it, whether or not a subsequent event of default or other event, not within the party's control, has relieved or may relieve such party from his or her obligation.

(15) 'Security agreement' means an agreement which creates or provides for a security interest.

(16) 'Secured party' means a lender, seller or other person in whose favor there is a security interest, including a person to whom accounts or chattel paper has been sold. When the holders of obligations issued under an indenture of trust, equipment trust agreement or the like are represented by a trustee or other person, the representative is the secured party.

(17) 'Transmitting utility' means any person primarily engaged in the electric or electronics communications transmission business, or the transmission or the production and transmission of electricity, steam, gas or water, or the provision of sewer service."

Section 7. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-108 of subchapter I to read as follows:

"Section 9-108. When after-acquired collateral is not security for antecedent debt. Where a secured party makes an advance, incurs an obligation, releases a

perfected security interest, or otherwise gives new value
which is to be secured in whole or in part by after-
acquired property, such party's security interest in the
after-acquired collateral shall be deemed to be taken for
new value and not as security for an antecedent debt if
the debtor acquires rights in such collateral either in
the ordinary course of business or under a contract of
purchase made pursuant to the security agreement within a
reasonable time after new value is given."

Section 8. Chapter 9 of title 33 of the Code of the Federated
States of Micronesia is hereby amended by adding a new section 9-109
of subchapter I to read as follows:

"Section 9-109. Classification of goods: 'consumer
goods'; 'equipment'; 'farm products'; 'inventory'. Goods
are:

(1) 'consumer goods' if they are used or bought for use
primarily for personal, family or household purposes;

(2) 'equipment' if they are used or bought for use
primarily in business (including farming for a
profession) or by a debtor who is a non-profit
organization or a governmental subdivision or agency or
if the goods are not included in the definitions of
inventory, farm products or consumer goods;

(3) 'farm products' if they are crops or livestock or
supplies used or produced in farming operations or if

they are products of crops or livestock in their unmanufactured states (such as ginned cotton, wool clip, maple syrup, milk and eggs), and if they are in the possession of a debtor engaged in raising, fattening, grazing or other farming operations. If goods are farm products they are neither equipment nor inventory;

(4) 'inventory' if they are held by a person who holds them for sale or lease or to be furnished under contracts of service or if they have been so furnished, or if they are raw materials, work in process or materials used or consumed in a business. Inventory of a person is not to be classified as that person's equipment."

Section 9. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-110 of subchapter I to read as follows:

"Section 9-110. Sufficiency of description. For the purposes of this chapter any description of personal property or real estate is sufficient whether or not it is specific if it reasonably identifies what is described."

Section 10. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-112 of subchapter I to read as follows:

"Section 9-112. Where collateral is not owned by debtor. Unless otherwise agreed, when a secured party knows that

collateral is owned by a person who is not the debtor,
the owner of the collateral is entitled to receive from
the secured party any surplus under section 9-502(2) of
this title or under section 9-504(1) of this title, and
is not liable for the debt or for any deficiency after
resale, and the owner has the same rights as the debtor:

(1) to receive statements under section 9-208 of this
title;

(2) to receive notice of and to object to a secured
party's proposal to retain the collateral in satisfaction
of the indebtedness under section 9-505 of this title;

(3) to redeem the collateral under section 9-506 of
this title;

(4) to obtain injunctive or other relief under section
9-507(1) of this title; and

(5) to recover losses caused to the secured party under
section 9-208(2) of this title."

Section 11. Chapter 9 of title 33 of the Code of the Federated
States of Micronesia is hereby amended by adding a new section 9-201
of subchapter II to read as follows:

"Section 9-201. General validity of security agreement.
Except as otherwise provided by this act a security
agreement is effective according to its terms between the
parties, against purchasers of the collateral and against
creditors. Nothing in this chapter validates any charge

1 or practice illegal under any statute or regulation
2 thereunder governing usury, small loans, retail
3 installment sales, or the like, or extends the
4 application of any such statute or regulation to any
5 transaction not otherwise subject thereto."

6 Section 12. Chapter 9 of title 33 of the Code of the Federated
7 States of Micronesia is hereby amended by adding a new section 9-202
8 of subchapter II to read as follows:

9 "Section 9-202. Title to collateral immaterial. Each
10 provision of this chapter with regard to rights,
11 obligations and remedies applies whether title to
12 collateral is in the secured party or in the debtor."

13 Section 13. Chapter 9 of title 33 of the Code of the Federated
14 States of Micronesia is hereby amended by adding a new section 9-203
15 of subchapter II to read as follows:

16 "Section 9-203. Attachment and enforceability of
17 security interest; proceeds; formal requisites.

18 (1) A security interest is not enforceable against the
19 debtor or third parties with respect to the collateral
20 and does not attach unless:

21 (a) the collateral is in the possession of the
22 secured party pursuant to agreement, or the debtor has
23 signed a security agreement which contains a description
24 of the collateral and in addition, when the security
25 interest covers crops growing or to be grown or timber to

1 be cut, a description of the land concerned;

2 (b) value has been given; and

3 (c) the debtor has rights in the collateral.

4 (2) A security interest attaches when it becomes
5 enforceable against the debtor with respect to the
6 collateral. Attachment occurs as soon as all of the
7 events specified in subsection (1) of this section have
8 taken place unless explicit agreement postpones the time
9 of attaching.

10 (3) Unless otherwise agreed a security agreement gives
11 the secured party the rights to proceeds provided by
12 section 9-306 of this title."

13 Section 14. Chapter 9 of title 33 of the Code of the Federated
14 States of Micronesia is hereby amended by adding a new section 9-204
15 of subchapter II to read as follows:

16 "Section 9-204. After-acquired property; future
17 advances.

18 (1) Except as provided in subsection (2) of this
19 section, a security agreement may provide that any or all
20 obligations covered by the security agreement are to be
21 secured by after-acquired collateral.

22 (2) No security interest attaches under an after-
23 acquired property clause to consumer goods other than
24 accessions (section 9-314 of this title) when given as
25 additional security unless the debtor acquires rights in

1 them within ten days after the secured party gives value.

2 (3) Obligations covered by a security agreement may
3 include future advances or other value whether or not the
4 advances or value are given pursuant to commitment
5 (subsection (1) of section 9-105 of this title)."

6 Section 15. Chapter 9 of title 33 of the Code of the Federated
7 States of Micronesia is hereby amended by adding a new section 9-205
8 of subchapter II to read as follows:

9 "Section 9-205. Use or disposition of collateral without
10 accounting permissible. A security interest is not
11 invalid or fraudulent against creditors by reason of
12 liberty in the debtor to use, commingle or dispose of all
13 or part of the collateral (including returned or
14 repossessed goods) or to collect or compromise accounts
15 or chattel paper, or to accept the return of goods or
16 make repossessions, or to use, commingle or dispose of
17 proceeds, or by reason of the failure of the secured
18 party to require the debtor to account for proceeds or
19 replace collateral. This section does not relax the
20 requirements of possession where perfection of a security
21 interest depends upon possession of the collateral by the
22 secured party or by a bailee."

23 Section 16. Chapter 9 of title 33 of the Code of the Federated
24 States of Micronesia is hereby amended by adding a new section 9-206
25 of subchapter II to read as follows:

1 "Section 9-206. Agreement not to assert defenses against
2 assignee. Subject to any statute or decision which
3 establishes a different rule for buyers or lessees of
4 consumer goods, an agreement by a buyer or lessee that he
5 or she will not assert against an assignee any claim or
6 defense which he or she may have against the seller or
7 lessor is enforceable by an assignee who takes the
8 assignment for value, in good faith and without notice of
9 a claim or defense, except as to defenses of a type which
10 may be asserted against a holder in due course of a
11 negotiable instrument under common law principles or
12 applicable law. A buyer who as part of one transaction
13 signs both a negotiable instrument and a security
14 agreement makes such an agreement."

15 Section 17. Chapter 9 of title 33 of the Code of the Federated
16 States of Micronesia is hereby amended by adding a new section 9-207
17 of subchapter II to read as follows:

18 "Section 9-207. Rights and duties when collateral is in
19 secured party's possession.

20 (1) A secured party must use reasonable care in the
21 custody and preservation of collateral in that party's
22 possession. In the case of an instrument or chattel
23 paper, reasonable care includes taking necessary steps to
24 preserve rights against prior parties unless otherwise
25 agreed.

1 (2) Unless otherwise agreed, when collateral is in the
2 secured party's possession:

3 (a) reasonable expenses (including the cost of any
4 insurance and payment of taxes or other charges) incurred
5 in the custody, preservation, use or operation of the
6 collateral are chargeable to the debtor and are secured
7 by the collateral;

8 (b) the risk of accidental loss or damage is on
9 the debtor to the extent of any deficiency in any
10 effective insurance coverage;

11 (c) the secured party may hold, as additional
12 security, any increase or profits (except money) received
13 from the collateral, but money so received, unless
14 remitted to the debtor, shall be applied in reduction of
15 the secured obligation;

16 (d) the secured party must keep the collateral
17 identifiable but fungible collateral may be commingled;

18 (e) the secured party may re-pledge the collateral
19 upon terms which do not impair the debtor's right to
20 redeem it.

21 (3) A secured party is liable for any loss caused by
22 failure to meet any obligation imposed by the preceding
23 subsections but does not lose the security interest.

24 (4) A secured party may use or operate the collateral
25 for the purpose of preserving the collateral or its value

1 or pursuant to the order of a court of appropriate
2 jurisdiction or, except in the case of consumer goods, in
3 the manner and to the extent provided in the security
4 agreement."

5 Section 18. Chapter 9 of title 33 of the Code of the Federated
6 States of Micronesia is hereby amended by adding a new section 9-208
7 of subchapter II to read as follows:

8 "Section 9-208. Request for statement of account or list
9 of collateral.

10 (1) A debtor may sign a statement indicating what the
11 debtor believes to be the aggregate amount of unpaid
12 indebtedness as of a specified date and may send it to
13 the secured party with a request that the statement be
14 approved or corrected and returned to the debtor. When
15 the security agreement or any other record kept by the
16 secured party identifies the collateral a debtor may
17 similarly request the secured party to approve or correct
18 a list of the collateral.

19 (2) The secured party must comply with such a request
20 within two weeks after receipt by sending a written
21 correction or approval. If the secured party claims a
22 security interest in all of a particular type of
23 collateral owned by the debtor the secured party may
24 indicate that fact in a reply and need not approve or
25 correct an itemized list of such collateral. If the

1 secured party, without reasonable excuse fails to comply,
2 such party is liable for any loss caused to the debtor
3 thereby; and if the debtor has properly included in the
4 request a good faith statement of the obligation or a
5 list of the collateral or both the secured party may
6 claim a security interest only as shown in the statement
7 against persons misled by the failure of the secured
8 party to comply. If the secured party no longer has an
9 interest in the obligation or collateral at the time the
10 request is received the secured party must disclose the
11 name and address of any successor in interest known to
12 the secured party and the secured party is liable for any
13 loss caused to the debtor as a result of failure to
14 disclose. A successor in interest is not subject to this
15 section until a request is received by the successor.

16 (3) A debtor is entitled to such a statement once every
17 six months without charge. The secured party may require
18 payment of a charge not exceeding ten dollars for each
19 additional statement furnished."

20 Section 19. Chapter 9 of title 33 of the Code of the Federated
21 States of Micronesia is hereby amended by adding a new section 9-301
22 of subchapter III to read as follows.

23 "Section 9-301. Persons who take priority over
24 unperfected security interest; 'lien creditor'.

25 (1) Except as otherwise provided in subsection (2) of

1 this section, an unperfected security interest is
2 subordinate to the rights of:

3 (a) persons entitled to priority under section
4 9-312 of this title;

5 (b) a person who becomes a lien creditor before
6 the security interest is perfected;

7 (c) in the case of goods, instruments, documents,
8 and chattel paper, a person who is not a secured party
9 and who is a transferee in bulk or other buyer not in the
10 ordinary course of business or is a buyer of farm
11 products in the ordinary course of business, to the
12 extent that such person gives value and receives delivery
13 of the collateral without knowledge of the security
14 interest and before it is perfected;

15 (d) in the case of accounts and general
16 intangibles, a person who is not a secured party and who
17 is a transferee to the extent that such person gives
18 value without knowledge of the security interest and
19 before it is perfected.

20 (2) If the secured party files with respect to a
21 purchase money security interest before or within twenty
22 days after the debtor receives possession of the
23 collateral, the secured party takes priority over the
24 rights of a transferee in bulk or of a lien creditor
25 which may arise between the time the security interest

1 attaches and the time of filing.

2 (3) A 'lien creditor' means a creditor who has acquired
3 a lien on the property involved by attachment, levy or
4 the like and includes an assignee for benefit of
5 creditors from the time of assignment, and a trustee in
6 bankruptcy from the date of the filing of the petition or
7 a receiver in equity from the time of appointment.

8 (4) A person who becomes a lien creditor while a
9 security interest is perfected takes subject to the
10 security interest only to the extent that it secures
11 advances made before the person becomes a lien creditor
12 or within forty-five days thereafter, or made without
13 knowledge of the lien or pursuant to a commitment entered
14 into without knowledge of the lien."

15 Section 20. Chapter 9 of title 33 of the Code of the Federated
16 States of Micronesia is hereby amended by adding a new section 9-302
17 of subchapter III to read as follows.

18 "Section 9-302. When filing is required to perfect
19 security interest; security interests to which filing
20 provisions of this chapter do not apply.

21 (1) A financing statement must be filed to perfect all
22 security interests except the following:

23 (a) a security interest in collateral in
24 possession of the secured party under section 9-305 of
25 this title;

1 (b) a security interest temporarily perfected in
2 instruments, or documents without delivery under section
3 9-304 of this title or in proceeds for a ten day period
4 under section 9-306 of this title;

5 (c) a security interest created by an assignment
6 of a beneficial interest in a trust or a decedent's
7 estate;

8 (d) a purchase money security interest in consumer
9 goods; but filing is required for a motor vehicle
10 required to be registered; and fixture filing is required
11 for priority over conflicting interest in fixtures to the
12 extent provided in section 9-313 of this title;

13 (e) an assignment of accounts which does not
14 alone, or in conjunction with other assignments to the
15 same assignee, transfer a significant part of the
16 outstanding accounts of the assignor; and

17 (f) an assignment for the benefit of all the
18 creditors of the transferor, and subsequent transfers by
19 the assignee thereunder.

20 (2) If a secured party assigns a perfected security
21 interest, no filing under this chapter is required in
22 order to continue the perfected status of the security
23 interest against creditors of and transferees from the
24 original debtor."

25 Section 21. Chapter 9 of title 33 of the Code of the Federated

1 States of Micronesia is hereby amended by adding a new section 9-303
2 of subchapter III to read as follows.

3 "Section 9-303. When security interest is perfected;
4 continuity of perfection.

5 (1) A security interest is perfected when it has
6 attached and when all the applicable steps required for
7 perfection have been taken. Such steps are specified in
8 sections 9-302, 9-304, 9-305, and 9-306 of this chapter.
9 If such steps are taken before the security interest
10 attaches, it is perfected at the time when it attaches.

11 (2) If a security interest is originally perfected in
12 any way permitted under this chapter and is subsequently
13 perfected in some other way under this chapter, without
14 an intermediate period when it was unperfected, the
15 security interest shall be deemed to be perfected
16 continuously for the purposes of this chapter."

17 Section 22. Chapter 9 of title 33 of the Code of the Federated
18 States of Micronesia is hereby amended by adding a new section 9-304
19 of subchapter III to read as follows:

20 "Section 9-304. Perfection of security interest in
21 instruments, documents, and goods covered by documents,
22 perfection by permissive filing; temporary perfection
23 without filing or transfer of possession.

24 (1) A security interest in chattel paper or negotiable
25 documents may be perfected by filing. A security

interest in money or instruments (other than certificate securities or instruments which constitute part of chattel paper) can be perfected only by the secured party's taking possession, except as provided in subsections (4) and (5) of this section and subsections (2) and (3) of section 9-306 of this title on proceeds.

(2) During the period that goods are in the possession of the issuer of a negotiable document therefor, a security interest in the goods is perfected by perfecting a security interest in the document, and any security interest in the goods otherwise perfected during such period is subject thereto.

(3) A security interest in goods in the possession of a bailee other than one who has insured a negotiable document therefor is perfected by issuance of document in the name of the secured party or by the bailee's receipt of notification of the secured party's interest or by filing as to the goods.

(4) A security interest in instruments (other than certificated securities) or negotiable documents is perfected without filing or the taking of possession for a period of twenty-one days from the time it attaches to the extent that it arises for new value given under a written security agreement.

(5) A security interest remains perfected for a period

of twenty-one days without filing where a secured party
having a perfected security interest in an instrument, a
negotiable document or goods in possession of a bailee
other than one who has issued a negotiable document
therefor:

(a) makes available to the debtor the goods or
documents representing the goods for the purpose of
ultimate sale or exchange or for the purpose of loading,
unloading, storing, shipping, transshipping,
manufacturing, processing or otherwise dealing with them
in a manner preliminary to their sale or exchange, but
priority between conflicting security interests in the
goods is subject to subsection (3) of section 9-312 of
this title; or

(b) delivers the instrument to the debtor for the
purpose of ultimate sale or exchange or of presentation,
collection, renewal or registration of transfer.

(6) After the twenty-one day period in subsections (4)
and (5) of this section, perfection depends upon
compliance with applicable provisions of this chapter."

Section 23. Chapter 9 of title 33 of the Code of the Federated
States of Micronesia is hereby amended by adding a new section 9-305
of subchapter III to read as follows:

"Section 9-305. When possession by secured party
perfects security interest without filing. A security

1 interest in letters of credit and advices of credit,
2 goods, instruments (other than certificated securities),
3 money, negotiable documents, or chattel paper may be
4 perfected by the secured party taking possession of the
5 collateral. If such collateral other than goods covered
6 by a negotiable document is held by a bailee, the secured
7 party is deemed to have possession from the time the
8 bailee receives notification of the secured party's
9 interest. A security interest is perfected by possession
10 from the time possession is taken without relation back
11 and continues only so long as possession is retained,
12 unless otherwise specified in this chapter. The security
13 interest may be otherwise perfected as provided in this
14 chapter before or after the period of possession by the
15 secured party."

16 Section 24. Chapter 9 of title 33 of the Code of the Federated
17 States of Micronesia is hereby amended by adding a new section 9-306
18 of subchapter III to read as follows:

19 "Section 9-306. 'Proceeds'; secured party's rights on
20 disposition of collateral.

21 (1) 'Proceeds' includes whatever is received upon the
22 sale, exchange, collection or other disposition of
23 collateral or proceeds. Insurance payable by reason of
24 loss or damage to the collateral is proceeds, except to
25 the extent that it is payable to a person other than a

1 party to the security agreement. Money, checks, deposit
2 accounts and the like are 'cash proceeds'. All other
3 proceeds are 'non-cash proceeds'.

4 (2) Except where this chapter otherwise provides, a
5 security interest continues in collateral notwithstanding
6 sale, exchange or other disposition thereof unless the
7 disposition was authorized by the secured party in the
8 security agreement or otherwise, and also continues in
9 any identifiable proceeds including collections received
10 by the debtor.

11 (3) The security interest in proceeds is a continuously
12 perfected security interest if the interest in the
13 original collateral was perfected but it ceases to be a
14 perfected security interest and becomes unperfected ten
15 days after receipt of the proceeds by the debtor unless:

16 (a) a filed financing statement covers the
17 original collateral and the proceeds are collateral in
18 which a security interest may be perfected by filing in
19 the office or offices where the financing statement has
20 been filed and, if the proceeds are acquired with cash
21 proceeds, the description of collateral in the financing
22 statement indicates the types of property constituting
23 the proceeds;

24 (b) a filed financing statement covers the
25 original collateral and the proceeds are identifiable

1 cash proceeds; or

2 (c) the security interest in the proceeds is
3 perfected before the expiration of the ten day period.
4 Except as provided in this section, a security interest
5 in proceeds can be perfected only by the methods or under
6 the circumstances permitted in this chapter for original
7 collateral of the same type.

8 (4) In the event of insolvency proceedings instituted
9 by or against a debtor, a secured party with a perfected
10 security interest in proceeds has a perfected security
11 interest only in the following proceeds:

12 (a) in identifiable non-cash proceeds and in
13 separate deposit accounts containing only proceeds;

14 (b) in identifiable cash proceeds in the form of
15 money which is neither commingled with other money nor
16 deposited in a deposit account prior to the insolvency
17 proceedings;

18 (c) in identifiable cash proceeds in the form of
19 checks and the like which are not deposited in a deposit
20 account prior to the insolvency proceedings; and

21 (d) in all cash and deposit accounts of the debtor
22 in which proceeds have been commingled with other funds,
23 but the perfected security interest under this paragraph
24 is:

25 (i) subject to any right of setoff; and

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(ii) limited to an amount not greater than the amount of any cash proceeds received by the debtor within ten days before the institution of the insolvency proceedings less the sum of:

a) the payments to the secured party on account of cash proceeds received by the debtor during such period; and

b) the cash proceeds received by the debtor during such period to which the secured party is entitled under paragraphs (a) through (c) of this subsection.

(5) If a sale of goods results in an account or chattel paper which is transferred by the seller to a secured party, and if the goods are returned to or are repossessed by the seller or the secured party, the following rules determine priorities:

(a) If the goods were collateral at the time of sale, for an indebtedness of the seller which is still unpaid, the original security interest attaches again to the goods and continues as a perfected security interest if it was perfected at the time when the goods were sold. If the security interest was originally perfected by a filing which is still effective, nothing further is required to continue the perfected status; in any other case, the secured party must take possession of the

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1 returned or repossessed goods or must file.

2 (b) An unpaid transferee of the chattel paper has
3 a security interest in the goods against the transferor.
4 Such security interest is prior to a security interest
5 asserted under paragraph (a) of this subsection to the
6 extent that the transferee of the chattel paper was
7 entitled to priority under section 9-308 of this title.

8 (c) An unpaid transferee of the account has a
9 security interest in the goods against the transferor.
10 Such security interest is subordinate to a security
11 interest asserted under paragraph (a) of this subsection.

12 (d) A security interest of an unpaid transferee
13 asserted under paragraph (b) or (c) of this subsection
14 must be perfected for protection against creditors of the
15 transferor and purchasers of the returned or repossessed
16 goods."

17 Section 25. Chapter 9 of title 33 of the Code of the Federated
18 States of Micronesia is hereby amended by adding a new section 9-307
19 of subchapter III to read as follows

20 "Section 9-307. Protection of buyers of goods.

21 (1) A buyer in the ordinary course of business other
22 than a person buying farm products from a person engaged
23 in farming operations takes free of a security interest
24 created by the seller even though the security interest
25 is perfected and even though the buyer knows of its

1 existence.

2 (2) In the case of consumer goods, a buyer takes free
3 of a security interest even though perfected if he or she
4 buys without knowledge of the security interest, for
5 value and for personal, family or household purposes
6 unless, prior to the purchase, the secured party has
7 filed a financing statement covering such goods.

8 (3) A buyer other than a buyer in ordinary course of
9 business (subsection (1) of this section) takes free of a
10 security interest to the extent that it secures future
11 advances made after the secured party acquires knowledge
12 of the purchase, or more than forty-five days after the
13 purchase, whichever first occurs, unless made pursuant to
14 a commitment entered into without knowledge of the
15 purchase and before the expiration of the forty-five day
16 period."

17 Section 26. Chapter 9 of title 33 of the Code of the Federated
18 States of Micronesia is hereby amended by adding a new section 9-308
19 of subchapter III to read as follows:

20 "Section 9-308. Purchase of chattel paper and
21 instruments. A purchaser of chattel paper or an
22 instrument who gives new value and takes possession of it
23 in the ordinary course of business has priority over a
24 security interest in the chattel paper or instrument:

25 (1) which is perfected under section 9-304 of this

title (permissive filing and temporary perfection) or
under section 9-306 of this title (perfection as to
proceeds) if the purchaser acts without knowledge that
the specific paper or instrument is subject to a security
interest; or

(2) which is claimed merely as proceeds of
inventory subject to a security interest under section
9-306 of this title even though the purchaser knows that
the specific paper or instrument is subject to the
security interest."

Section 27. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-309 of subchapter III to read as follows:

"Section 9-309. Protection of purchasers of instruments,
documents, and securities. Nothing in this chapter
limits the rights of a holder in due course of a
negotiable instrument or a holder to whom a negotiable
document of title has been duly negotiated or a bona fide
purchaser of a security and such holders or purchasers
take priority over an earlier security interest even
though perfected. Filing under this chapter does not
constitute notice of the security interest to such
holders or purchasers."

Section 28. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-310

1 of subchapter III to read as follows:

2 "Section 9-310. Priority of certain liens arising by
3 operation of law. When a person in the ordinary course
4 of business furnishes services or materials with respect
5 to goods subject to a security interest, a lien upon
6 goods in the possession of such person given by statute
7 or rule of law for such materials or services takes
8 priority over a perfected security interest unless the
9 lien is statutory and the statute expressly provides
10 otherwise."

11 Section 29. Chapter 9 of title 33 of the Code of the Federated
12 States of Micronesia is hereby amended by adding a new section 9-311
13 of subchapter III to read as follows:

14 "Section 9-311. Alienability of debtor's rights,
15 judicial process. The debtor's rights in collateral may
16 be voluntarily or involuntarily transferred (by way of
17 sale, creation of a security interest, attachment, levy,
18 garnishment or other judicial process) notwithstanding a
19 provision in the security agreement prohibiting any
20 transfer or making the transfer constitute a default."

21 Section 30. Chapter 9 of title 33 of the Code of the Federated
22 States of Micronesia is hereby amended by adding a new section 9-312
23 of subchapter III to read as follows:

24 "Section 9-312. Priorities among conflicting security
25 interests in the same collateral."

(1) The rules of priority stated in other sections of this subchapter and in section 9-109 of this title shall govern when applicable.

(2) A perfected security interest in crops for new value given to enable the debtor to produce the crops during the production season and given not more than three months before the crops become growing crops by planting or otherwise, takes priority over an earlier perfected security interest to the extent that such earlier interest secures obligations due more than six months before the crops become growing crops by planting or otherwise, even though the person giving new value had knowledge of the earlier security interest.

(3) A perfected purchase money security interest in inventory has priority over a conflicting security interest in the same inventory and also has priority in identifiable cash proceeds received on or before the delivery of the inventory to a buyer if:

(a) the purchase money security interest is perfected at the time the debtor receives possession of the inventory; and

(b) the purchase money secured party gives notification in writing to the holder of the conflicting security interest if the holder had filed a financing statement covering the same types of inventory:

1 (i) before the date of the filing made by the
2 purchase money secured party; or

3 (ii) before the beginning of the twenty-one
4 day period where the purchase money security interest is
5 temporarily perfected without filing or possession
6 (subsection (5) of section 9-304 of this title); and

7 (c) the holder of the conflicting security
8 interest receives the notification within five years
9 before the debtor receives possession of the inventory;
10 and

11 (d) the notification states that the person giving
12 the notice has or expects to acquire a purchase money
13 security interest in inventory of the debtor, describing
14 such inventory by item or type.

15 (4) A purchase money security interest in collateral
16 other than inventory has priority over a conflicting
17 security interest in the same collateral or its proceeds
18 if the purchase money security interest is perfected at
19 the time the debtor receives possession of the collateral
20 or within twenty days thereafter.

21 (5) In all cases not governed by other rules stated in
22 this section including cases of purchase money security
23 interests which do not qualify for the special priorities
24 set forth in subsections (3) and (4) of this section,
25 priority between conflicting security interests in the

1 same collateral shall be determined according to the
2 following rules:

3 (a) Conflicting security interests rank according
4 to priority in time of filing or perfection. Priority
5 dates from the time a filing is first made covering the
6 collateral or the time the security interest is first
7 perfected, whichever is earlier, provided that there is
8 no period thereafter when there is neither filing nor
9 perfection.

10 (b) So long as conflicting security interests are
11 unperfected, the first to attach has priority.

12 (6) For the purpose of subsection (5) of this section a
13 date of filing or perfection as to collateral is also a
14 date of filing or perfection as to proceeds.

15 (7) If future advances are made while a security
16 interest is perfected by filing or the taking of
17 possession, the security interest has the same priority
18 for the purposes of subsection (5) of this section with
19 respect to the future advances as it does with respect to
20 the first advance. If a commitment is made before or
21 while the security interest is so perfected, the security
22 interest has the same priority with respect to advances
23 made pursuant thereto. In other cases a perfected
24 security interest has priority from the date the advance
25 is made."

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Section 31. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-313 of subchapter III to read as follows:

"Section 9-313. Priority of security interests in fixtures.

(1) In this section and in the provisions of subchapter IV of this chapter referring to fixture filing, unless the context otherwise requires:

(a) Goods are 'fixtures' when they become so related to particular real estate that an interest in them arises under real estate law.

(b) A 'fixture filing' is the filing in the office where a mortgage on the real estate would be filed or recorded of a financing statement covering goods which are or are to become fixtures and conforming to the requirements of subsection (5) of section 9-304 of this title.

(c) A mortgage is a 'construction mortgage' to the extent that it secures an obligation incurred for the construction of an improvement on land including the acquisition cost of the land, if the recorded writing so indicates.

(2) A security interest under this chapter may be created in goods which are fixtures or may continue in goods which become fixtures, but no security interest

exists under this chapter in ordinary building materials
incorporated into an improvement on land.

(3) This chapter does not prevent creation of an
encumbrance upon fixtures pursuant to real estate law.

(4) A perfected security interest in fixtures has
priority over the conflicting interest of an encumbrancer
or owner of the real estate where:

(a) the security interest is a purchase money
security interest, the interest of the encumbrancer or
owner arises before the goods become fixtures, the
security interest is perfected by a fixture filing before
the goods become fixtures or within ten days thereafter,
and the debtor has an interest of record in the real
estate or is in possession of the real estate; or

(b) the security interest is perfected by a
fixture filing before the interest of the encumbrancer or
owner is of record, the security interest has priority
over any conflicting interest of a predecessor in title
of the encumbrancer or owner, and the debtor has an
interest of record in the real estate or is in possession
of the real estate; or

(c) the fixtures are readily removable factory or
office machines or readily removable replacements of
domestic appliances which are consumer goods, and before
the goods become fixtures the security interest is

1 perfected by any method permitted by this chapter; or

2 (d) the conflicting interest is a lien on the real
3 estate obtained by legal or equitable proceedings after
4 the security interest was perfected by any method
5 permitted by this chapter.

6 (5) A security interest in fixtures, whether or not
7 perfected, has priority over the conflicting interest of
8 an encumbrancer or owner of the real estate where:

9 (a) the encumbrancer or owner has consented in
10 writing to the security interest or has disclaimed an
11 interest in the goods as fixtures; or

12 (b) the debtor has a right to remove the goods as
13 against the encumbrancer or owner. If the debtor's right
14 terminates, the priority of the security interest
15 continues for a reasonable time.

16 (6) Notwithstanding paragraph (a) of subsection (4) of
17 this section but otherwise subject to subsections (4) and
18 (5) of this section, a security interest in fixtures is
19 subordinate to a construction mortgage recorded before
20 the goods become fixtures if the goods become fixtures
21 before the completion of the construction. To the extent
22 that it is given to refinance a construction mortgage, a
23 mortgage has this priority to the same extent as the
24 construction mortgage.

25 (7) In cases not within the preceding subsections of

1 this section, a security interest in fixtures is
2 subordinate to the conflicting interest of an
3 encumbrancer or owner of the related real estate who is
4 not the debtor.

5 (8) When a secured party has priority over all owners
6 and encumbrancers of the real estate, he or she may, on
7 default, subject to the provisions of subchapter V of
8 this title, remove the collateral from the real estate
9 but the secured party must reimburse any encumbrancer or
10 owner of the real estate who is not the debtor and who
11 has not otherwise agreed for the cost of repair of any
12 physical injury, but not for any diminution in value of
13 the real estate caused by the absence of the goods
14 removed or by any necessity of replacing them. A person
15 entitled to reimbursement may refuse permission to remove
16 until the secured party gives adequate security for the
17 performance of this obligation."

18 Section 32. Chapter 9 of title 33 of the Code of the Federated
19 States of Micronesia is hereby amended by adding a new section 9-314
20 of subchapter III to read as follows:

21 "Section 9-314. Accessions.

22 (1) A security interest in goods which attaches before
23 they are installed in or affixed to other goods takes
24 priority as to the goods installed or affixed (called in
25 this section 'accessions') over the claims of all persons

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1 to the whole except as stated in subsection (3) of this
2 section and subject to section 9-315(1) of this title.

3 (2) A security interest which attaches to goods after
4 they become part of a whole is valid against all persons
5 subsequently acquiring interests in the whole except as
6 stated in subsection (3) of this section but is invalid
7 against any person with an interest in the whole at the
8 time the security interest attaches to the goods who has
9 not in writing consented to the security interest or
10 disclaimed an interest in the goods as part of the whole.

11 (3) The security interests described in subsections (1)
12 and (2) of this section do not take priority over:

13 (a) a subsequent purchaser for value of any
14 interest in the whole; or

15 (b) a creditor with a lien on the whole
16 subsequently obtained by judicial proceedings; or

17 (c) a creditor with a prior perfected security
18 interest in the whole to the extent that the creditor
19 makes subsequent advances if the subsequent purchase is
20 made, the lien by judicial proceedings obtained or the
21 subsequent advance under the prior perfected security
22 interest is made or contracted for without knowledge of
23 the security interest and before it is perfected. A
24 purchaser of the whole at a foreclosure sale other than
25 the holder of a perfected security interest purchasing at

1 the holder's own foreclosure sale is a subsequent
2 purchaser within this section.

3 (4) When under subsections (1) or (2) and (3) of this
4 section a secured party has an interest in accessions
5 which has priority over the claims of all persons who
6 have interests in the whole, such party may on default
7 subject to the provisions of subchapter V of this title
8 remove the collateral from the whole but the secured
9 party must reimburse any encumbrancer or owner of the
10 whole who is not the debtor and who has not otherwise
11 agreed for the cost of repair of any physical injury but
12 not for any diminution in value of the whole caused by
13 the absence of the goods removed or by any necessity for
14 replacing them. A person entitled to reimbursement may
15 refuse permission to remove until the secured party gives
16 adequate security for the performance of this
17 obligation."

18 Section 33. Chapter 9 of title 33 of the Code of the Federated
19 States of Micronesia is hereby amended by adding a new section 9-315
20 of subchapter III to read as follows:

21 "Section 9-315. Priority when goods are commingled or
22 processed.

23 (1) If a security interest in goods was perfected and
24 subsequently the goods or a part thereof have become part
25 of a product or mass the security interest continues in

1 the product or mass if:

2 (a) the goods are so manufactured, processed,
3 assembled or commingled that their identity is lost in
4 the product or mass; or

5 (b) a financing statement covering the original
6 goods also covers the product into which the goods have
7 been manufactured, processed or assembled. In a case to
8 which subsection (1)(b) applies, no separate security
9 interest in that part of the original goods which has
10 been manufactured, processed or assembled into the
11 product may be claimed under section 9-314 of this title.

12 (2) When, under subsection (1) of this section more
13 than one security interest attaches to the product or
14 mass, they rank equally according to the ratio that the
15 cost of the goods to which each interest originally
16 attached bears to the cost of the total product or mass."

17 Section 34. Chapter 9 of title 33 of the Code of the Federated
18 States of Micronesia is hereby amended by adding a new section 9-316
19 of subchapter III to read as follows:

20 "Section 9-316. Priority subject to subordination.
21 Nothing in this chapter prevents subordination by
22 agreement by any person entitled to priority."

23 Section 35. Chapter 9 of title 33 of the Code of the Federated
24 States of Micronesia is hereby amended by adding a new section 9-317
25 of subchapter III to read as follows:

1 "Section 9-317. Secured party not obligated on contract
2 of debtor. The mere existence of a security interest or
3 authority given to the debtor to dispose of or use
4 collateral does not impose contract or tort liability
5 upon the secured party for the debtor's acts or
6 omissions."

7 Section 36. Chapter 9 of title 33 of the Code of the Federated
8 States of Micronesia is hereby amended by adding a new section 9-318
9 of subchapter III to read as follows:

10 "Section 9-318. Defenses against assignee; modification
11 of contract after notification of assignment; term
12 prohibiting assignment ineffective; identification and
13 proof of assignment.

14 (1) Unless an account debtor has made an enforceable
15 agreement not to assert defenses or claims arising out of
16 a sale as provided in section 9-206 of this title the
17 rights of an assignee are subject to:

18 (a) all the terms of the contract between the
19 account of debtor and assignor and any defense or claim
20 arising therefrom; and

21 (b) any other defense or claim of the account
22 debtor against the assignor which accrues before the
23 account debtor receives notification of the assignment.

24 (2) So far as the right to payment or a part thereof
25 under an assigned contract has not been fully earned by

1 performance, and notwithstanding notification of the
2 assignment, any modification of or substitution for the
3 contract made in good faith and in accordance with
4 reasonable commercial standards is effective against an
5 assignee unless the account debtor has otherwise agreed
6 but the assignee acquires corresponding rights under the
7 modified or substituted contract. The assignment may
8 provide that such modification or substitution is a
9 breach by the assignor.

10 (3) The account debtor is authorized to pay the
11 assignor until the account debtor receives notification
12 that the amount due or to become due has been assigned
13 and that payment is to be made to the assignee. A
14 notification which does not reasonably identify the
15 rights assigned is ineffective. If requested by the
16 account debtor, the assignee must seasonably furnish
17 reasonable proof that the assignment has been made and
18 unless the assignee does so the account debtor may pay
19 the assignor.

20 (4) A term in any contract between an account debtor
21 and an assignor is ineffective if it prohibits assignment
22 of an account or prohibits creation of a security
23 interest in a general intangible for money due or to
24 become due or requires the account debtor's consent to
25 such assignment or security interest."

Section 37. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-401 of subchapter IV to read as follows:

"Section 9-401. Place of filing; erroneous filing; removal of collateral.

(1) The proper place to file in order to perfect a security interest is in the office of the Registrar of Corporations in the Department of Resources and Development or other place as the Secretary of Resources and Development may designate.

(2) A filing which is made in good faith in an improper place or not in all of the places required by this section is nevertheless effective with regard to any collateral as to which the filing complied with the requirements of this chapter and is also effective with regard to collateral covered by the financing statement against any person who has knowledge of the contents of such financing statement.

(3) A filing which is made in the proper place continues effective even though the debtor's residence or place of business or the location of the collateral or its use, whichever controlled the original filing, is thereafter changed.

(4) The rules stated in this chapter on perfection in multiple state transactions determine whether filing is

1 necessary in each state.

2 (5) Notwithstanding the preceding subsections of this
3 section, and subject to subsection (3) of section 9-302
4 of this title, the proper place to file in order to
5 perfect a security interest in collateral, including
6 fixtures, of a transmitting utility is the office of the
7 Registrar of Corporations in the Department of Resources
8 and Development. This filing constitutes a fixture
9 filing (section 9-313 of this title) as to the collateral
10 described therein which is or is to become fixtures."

11 Section 38. Chapter 9 of title 33 of the Code of the Federated
12 States of Micronesia is hereby amended by adding a new section 9-402
13 of subchapter IV to read as follows:

14 "Section 9-402. Formal requisites of financing
15 statement; amendments; mortgage as financing statement.

16 (1) A financing statement is sufficient if it gives the
17 names of the debtor and the secured party, is signed by
18 the debtor, gives an address of the secured party from
19 which information concerning the security interest may be
20 obtained, gives a mailing address of the debtor and
21 contains a statement indicating the types, or describing
22 the items of collateral. A financing statement may be
23 filed before a security agreement is made or a security
24 interest otherwise attaches. When the financing
25 statement covers crops growing or to be grown, the

statement must also contain a description of the real estate concerned. When the financing statement is filed as a fixture filing (section 9-313 of this title) and the collateral is goods which are or are to become fixtures, the statement must also comply with subsection (5) of this section. A copy of the security agreement is sufficient as a financing statement if it contains the above information and is signed by the debtor. A carbon, photographic or other reproduction of a security agreement or a financing statement is sufficient as a financing statement if the security agreement or financing statement so provides or if the original has been filed in the Federated States of Micronesia.

(2) A financing statement which otherwise complies with subsection (1) of this section is sufficient when it is signed by the secured party instead of the debtor when it is filed to perfect a security interest in:

(a) collateral already subject to a security interest in another jurisdiction when it is brought into the Federated States of Micronesia, or when the debtor's location is changed to the Federated States of Micronesia. Such a financing statement must state that the collateral was brought into the Federated States of Micronesia or that the debtor's location was changed to the Federated States of Micronesia under such

circumstances; or

(b) proceeds under section 9-306 of this title if
the security interest in the original collateral was
perfected. Such a financing statement must describe the
original collateral; or

(c) collateral as to which the filing has lapsed;
or

(d) collateral acquired after a change of name,
identity or corporate structure of the debtor under
subsection (7) of this section.

(3) A form substantially as follows is sufficient to
comply with subsection (1) of this section:

Name of debtor (or assignor):

Address:

Name of secured party (or assignee):

Address:

1. This financing statement covers the following types
(or items) of property: (Describe)

2. (If collateral is crops) The above described crops
are growing or are to be grown on: (Describe real estate)

3. (If applicable) The above goods are to become
fixtures on: (Describe real estate) and this financing
statement is to be filed in the real estate records. (If
the debtor does not have an interest of record) The name
of a record owner is:

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4. (If products of collateral are claimed) Products of the collateral are also covered. Signature of Debtor (or Assignor) Signature of Secured Party (or Assignee).

(4) A financing statement may be amended by filing a writing signed by both the debtor and the secured party, except that a secured party may amend a financing statement without the signature of the debtor when the amendment is to change the name or address of the secured party. An amendment does not extend the period of effectiveness of a financing statement. If any amendment adds collateral, it is effective as to the added collateral only from the filing date of the amendment. In this chapter, unless the context otherwise requires, the term 'financing statement' means the original financing statement and any amendments.

(5) A financing statement covering timber to be cut or covering minerals or the like (including oil and gas), or a financing statement filed as a fixtures filing (section 9-313 of this title) where the debtor is not a transmitting utility, must show that it covers this type of collateral, must recite that it is to be filed for record in the real estate records, and must contain a description of the real estate sufficient if it were contained in a mortgage of the real estate to give constructive notice of the mortgage under the laws of the

1 State in which the real estate is located. If the debtor
2 does not have an interest of record in the real estate,
3 the financing statement must show the name of a record
4 owner.

5 (6) A mortgage is effective as a financing statement
6 filed as a fixture filing from the date of its recording
7 if:

8 (a) the goods are described in the mortgage by
9 item or type; and

10 (b) the goods are or are to become fixtures
11 related to the real estate described in the mortgage; and

12 (c) the mortgage complies with the requirements
13 for a financing statement in this section other than a
14 recital that it is to be filed in the real estate
15 records; and

16 (d) the mortgage is duly recorded. No fee with
17 reference to the financing statement is required other
18 than the regular recording and satisfaction fees with
19 respect to the mortgage.

20 (7) A financing statement sufficiently shows the name
21 of the debtor if it gives the individual, partnership or
22 corporate name of the debtor, whether or not it adds
23 other trade names or the names of partners. Where the
24 debtor so changes his or her name or in the case of an
25 organization its name, identity or corporate structure so

1 that a filed financing statement becomes seriously
2 misleading, the filing is not effective to perfect a
3 security interest in collateral acquired by the debtor
4 more than four months after the change, unless a new
5 appropriate financing statement is filed before the
6 expiration of that time. A filed financing statement
7 remains effective with respect to collateral transferred
8 by the debtor even though the secured party knows of or
9 consents to the transfer.

10 (8) A financing statement substantially complying with
11 the requirements of this section is effective even though
12 it contains minor errors which are not seriously
13 misleading."

14 Section 39. Chapter 9 of title 33 of the Code of the Federated
15 States of Micronesia is hereby amended by adding a new section 9-403
16 of subchapter IV to read as follows:

17 "Section 9-403. What constitutes filing; duration of
18 filing; effect of lapsed filing; duties of filing
19 officer.

20 (1) Presentation for filing of a financing statement
21 and tender of the filing fee and additional fees or
22 acceptance of the statement by the filing officer
23 constitutes filing under this chapter.

24 (2) Except as provided in subsection (6) of this
25 section a filed financing statement is effective for a

1 period of five years from the date of filing. The
2 effectiveness of a filed financing statement lapses on
3 the expiration of the five year period unless a
4 continuation statement is filed prior to the lapse. If a
5 security interest perfected by filing exists at the time
6 insolvency proceedings are commenced by or against the
7 debtor, the security interest remains perfected until
8 termination of the insolvency proceedings and thereafter
9 for a period of sixty days or until expiration of the
10 five year period, whichever occurs later. Upon lapse the
11 security interest becomes unperfected, unless it is
12 perfected without filing. If the security interest
13 becomes unperfected upon lapse, it is deemed to have been
14 unperfected as against a person who became a purchaser or
15 lien creditor before lapse.

16 (3) A continuation statement may be filed by the
17 secured party within six months prior to the expiration
18 of the five year period specified in subsection (2) of
19 this section. Any such continuation statement must be
20 signed by the secured party, identify the original
21 statement by file number and state that the original
22 statement is still effective. A continuation statement
23 signed by a person other than the secured party of record
24 must be accompanied by a separate written statement of
25 assignment signed by the secured party of record and

complying with subsection (2) of section 9-405 of this
title, including payment of the required fee. Upon
timely filing of the continuation statement, the
effectiveness of the original statement is continued for
five years after the last date to which the filing was
effective whereupon it lapses in the same manner as
provided in subsection (2) of this section unless another
continuation statement is filed prior to such lapse.
Succeeding continuation statements may be filed in the
same manner to continue the effectiveness of the original
statement. Unless a statute on disposition of public
records provides otherwise, the filing officer may remove
a lapsed statement from the files and destroy it
immediately if the filing officer has retained a
microfilm, photographic record, or other reproduction
thereof, or in other cases after one year after the
lapse. The filing officer shall so arrange matters by
physical annexation of financing statements to
continuation statements or other related filings, or by
other means, that if the filing officer physically
destroys the financing statements of a period more than
five years past, those which have been continued by a
continuation statement or which are still effective under
subsection (6) of this section shall be retained.

(4) Except as provided in subsection (7) of this

1 section a filing officer shall mark each statement with a
2 file number and with the date and hour of filing and
3 shall hold the statement, microfilm, photographic copy or
4 other reproduction thereof for public inspection. In
5 addition the filing officer shall index the statements
6 according to the name of the debtor and shall note in the
7 index the file number and the address of the debtor given
8 in the statement. The index may be made up of the
9 statements themselves, copies thereof, separate cards or
10 otherwise.

11 (5) The uniform fee for filing, indexing and for
12 stamping a copy furnished by the secured party to show
13 the date and place of filing for an original financing
14 statement or for a continuation statement shall be
15 twenty-five dollars (\$25), plus in each case, if the
16 financing statement is subject to subsection (5) of
17 section 9-402 of this title, fifty dollars (\$50). The
18 uniform fee for each name more than one required to be
19 indexed shall be ten dollars (\$10). The secured party
20 may, at his or her option, show a trade name for any
21 person and an extra uniform indexing fee of ten dollars
22 (\$10) shall be paid with respect thereto.

23 (6) If the debtor is a transmitting utility (subsection
24 (5) of section 9-401 of this title) and a filed financing
25 statement so states, it is effective until a termination

statement is filed. A real estate mortgage which is effective as a fixture filing under subsection (6) of section 9-402 of this title remains effective as a fixture filing until the mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the real estate.

(7) When a financing statement covers timber to be cut or covers minerals or the like (including oil and gas), or is filed as a fixture filing, it shall be filed for record and the filing officer shall index it under the name of the debtor and any owner of record shown on the financing statement in the same fashion as if they were the mortgagors in a mortgage of the real estate described, and, to the extent that the law of the State in which the real estate is located provides for indexing of mortgages under the name of the mortgagee, under the names of the secured party as if such party were the mortgagee thereunder, or where indexing is by description in the same fashion as if the financing statement were a mortgage of the real estate described."

Section 40. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-404 of subchapter IV to read as follows:

"Section 9-404. Termination statement.

(1) If a financing statement covering consumer goods is

1 filed on or after the effective date of this chapter,
2 then within one month or within ten days following
3 written demand by the debtor after there is no
4 outstanding secured obligation and no commitment to make
5 advances, incur obligations or otherwise give value, the
6 secured party must file with each filing officer with
7 whom the financing statement was filed, a termination
8 statement to the effect that the secured party no longer
9 claims a security interest under the financing statement,
10 which shall be identified by file number. In other cases
11 whenever there is no outstanding secured obligation and
12 no commitment to make advances, incur obligations or
13 otherwise give value, the secured party must send the
14 debtor, for each filing officer with whom the financing
15 statement was filed, a termination statement to the
16 effect that the secured party no longer claims a security
17 interest under the financing statement, which shall be
18 identified by file number. A termination statement
19 signed by a person other than the secured party of record
20 must be accompanied by a separate written statement of
21 assignment signed by the secured party of record
22 complying with subsection (2) of section 9-405 of this
23 title, including payment of the required fee. If the
24 affected secured party fails to file such a termination
25 statement as required by this subsection, or to send such

1 a termination statement within ten days after proper
2 demand therefor, the secured party shall be liable to the
3 debtor for one hundred dollars (\$100), and in addition,
4 for any loss caused to the debtor by such failure.

5 (2) On presentation to the filing officer of such a
6 termination statement the filing officer must note it in
7 the index. If the filing officer has received the
8 termination statement in duplicate, he or she shall
9 return one copy of the termination statement to the
10 secured party stamped to show the time of receipt
11 thereof. If the filing officer has a microfilm or other
12 photographic record of the financing statement, and of
13 any related continuation statement, statement of
14 assignment and statement of release, the filing officer
15 may remove the originals from the files at any time after
16 receipt of the termination statement, or if there is no
17 such record, the filing officer may remove them from the
18 files at any time after one year after receipt of the
19 termination statement.

20 (3) The termination statement shall be in the standard
21 form prescribed by the Secretary of Resources and
22 Development, the fee for filing and indexing the
23 termination statement shall be twenty-five dollars (\$25),
24 plus in each case, an additional fee of ten dollars (\$10)
25 for each name more than one against which the termination

1 statement is required to be indexed."

2 Section 41. Chapter 9 of the Code of the Federated States of
3 Micronesia is hereby amended by adding a new section 9-405 of
4 subchapter IV to read as follows:

5 "Section 9-405. Assignment of security interest; duties
6 of filing officer; fees.

7 (1) A financing statement may disclose an assignment of
8 a security interest in the collateral described in the
9 financing statement by indication in the financing
10 statement of the name and address of the assignee or by
11 an assignment itself or a copy thereof on the face or
12 back of the statement. On presentation, including
13 payment of the required fee, to the filing officer of
14 such a financing statement the filing officer shall mark
15 the same as provided in section 9-403(4) of this title.
16 The uniform fee for filing, indexing and furnishing
17 filing data for a financing statement so indicating an
18 assignment shall be ten dollars (\$10) plus in each case
19 an additional fee of ten dollars (\$10) for each name more
20 than one against which the financing statement is
21 required to be indexed.

22 (2) A secured party may assign of record all or part of
23 his or her rights under a financing statement by the
24 filing in the place where the original financing
25 statement was filed of a separate written statement of

assignment signed by the secured party of record and
setting forth the name of the secured party of record and
the debtor, the file number and the date of filing of the
financing statement and the name and address of the
assignee and containing a description of the collateral
assigned. A copy of the assignment is sufficient as a
separate statement if it complies with the preceding
sentence. On presentation to the filing officer of such
a separate statement, including payment of the required
fee, the filing officer shall mark such separate
statement with the date and hour of the filing. The
filing officer shall note the assignment on the index of
the financing statement, or in the case of a fixture
filing, or a filing covering timber to be cut, or
covering minerals or the like (including oil and gas),
the filing officer shall index the assignment under the
name of the assignor as grantor and, to the extent that
the law of the State in which the related real estate is
located provides for indexing the assignment of a
mortgage under the name of the assignee, the filing
officer shall index the assignment of the financing
statement under the name of the assignee. The uniform
fee for filing data about such a separate statement of
assignment shall be ten dollars (\$10) plus in each case
an additional fee of ten dollars (\$10) for each name more

1 than one against which the statement of assignment is
2 required to be indexed. Notwithstanding the provisions
3 of this subsection, an assignment of record of a security
4 interest in a fixture contained in a mortgage effective
5 as a fixture filing (subsection (6) of section 9-402 of
6 this title) may be made only by an assignment of the
7 mortgage in the manner provided by the law of the State
8 in which the related real estate is located other than as
9 provided in this act.

10 (3) After the disclosure or filing of an assignment
11 under this section, the assignee is the secured party of
12 record."

13 Section 42. Chapter 9 of the Code of the Federated States of
14 Micronesia is hereby amended by adding a new section 9-406 of
15 subchapter IV to read as follows:

16 "Section 9-406. Release of collateral; duties of filing
17 officer; fees. A secured party of record may, by signed
18 statement, release all or a part of any collateral
19 described in a filed financing statement. The statement
20 of release is sufficient if it contains a description of
21 the collateral being released, the name and address of
22 the debtor, the name and address of the secured party,
23 and the file number of the financing statement. A
24 statement of release signed by a person other than the
25 secured party of record must be accompanied by a separate

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1 written statement of assignment signed by the secured
2 party of record and complying with subsection (2) of
3 section 9-405 of this title, including payment of the
4 required fee. Upon presentation of such a statement of
5 release to the filing officer the filing officer shall
6 mark the statement with the hour and date of filing and
7 shall note the same upon the margin of the index of the
8 filing of the financing statement. The uniform fee for
9 filing and noting such a statement of release shall be
10 ten dollars (\$10) plus in each case an additional fee of
11 ten dollars (\$10) for each name more than one against
12 which the statement of release is required to be
13 indexed."
14 Section 43. Chapter 9 of title 33 of the Code of the Federated
15 States of Micronesia is hereby amended by adding a new section 9-408
16 of subchapter IV to read as follows:
17 "Section 9-408. Financing statements covering consigned
18 or leased goods. A consignor or lessor of goods may file
19 a financing statement using the terms 'consignor',
20 'consignee', 'lessor', 'lessee' or the like instead of
21 the terms specified in section 9-402 of this title. The
22 provisions of this subchapter shall apply as appropriate
23 to such a financing statement but its filing shall not,
24 of itself, be a factor in determining whether or not, the
25 consignment or lease is intended as security. However,

if it is determined for other reasons that the
consignment or lease is so intended, a security interest
of the consignor or lessor which attaches to the
consigned or leased goods is perfected by such filing."

Section 44. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-501 of subchapter V to read as follows:

"Section 9-501. Default; procedure when security
agreement covers both real and personal property.

(1) When a debtor is in default under a security
agreement, a secured party has the rights and remedies
provided in this subchapter and except as limited by
subsection (3) of this section those provided in the
security agreement. The secured party may reduce his or
her claim to judgment, foreclose or otherwise enforce the
security interest by any available judicial procedure.
If the collateral is documents the secured party may
proceed either as to the documents or as to the goods
covered thereby. A secured party in possession has the
rights, remedies and duties referred to in this
subsection. The rights, remedies, and duties referred to
in this subsection are cumulative.

(2) After default, the debtor has the rights and
remedies provided in this subchapter, those provided in
the security agreement and those provided in section 9-

1 207 of this title.

2 (3) To the extent that they give rights to the debtor
3 and impose duties on the secured party, the rules stated
4 in the subsections referred to below may not be waived or
5 varied except as provided with respect to compulsory
6 disposition of collateral (subsection (3) of section 9-
7 504 and section 9-505 of this title) and with respect to
8 redemption of collateral (section 9-506 of this title)
9 but the parties may, by agreement, determine the
10 standards by which the fulfillment of these rights and
11 duties is to be measured if such standards are not
12 manifestly unreasonable:

13 (a) subsection (2) of section 9-502 and subsection
14 (2) of section 9-504 of this title insofar as they
15 require accounting for surplus proceeds of collateral;

16 (b) subsection (3) of section 9-504 and subsection
17 (1) section 9-505 of this title which deals with
18 disposition of collateral;

19 (c) subsection (2) of section 9-505 of this title
20 which deals with acceptance of collateral as discharge of
21 obligation;

22 (d) section 9-506 of this title which deals with
23 redemption of collateral; and

24 (e) subsection (1) of section 9-507 of this title
25 which deals with the secured party's liability for

1 failure to comply with this subchapter.

2 (4) If the security agreement covers both real and
3 personal property, the secured party may proceed under
4 this subchapter as to the personal property or the
5 secured party may proceed as to both the real and the
6 personal property in accordance with his or her rights
7 and remedies in respect of the real property in which
8 case the provisions of this subchapter do not apply.

9 (5) When a secured party has reduced his or her claim
10 to judgment the lien of any levy which may be made upon
11 the secured party's collateral by virtue of any execution
12 based upon the judgment shall relate back to the date of
13 the perfection of the security interest in such
14 collateral. A judicial sale, pursuant to such execution,
15 is a foreclosure of the security interest by judicial
16 procedure within the meaning of this section, and the
17 secured party may purchase at the sale and thereafter
18 hold the collateral free of any other requirements of
19 this chapter."

20 Section 45. Chapter 9 of title 33 of the Code of the Federated
21 States of Micronesia is hereby amended by adding a new section 9-502
22 of subchapter V to read as follows:

23 "Section 9-502. Collection rights of secured party.

24 (1) When so agreed and in any event on default the
25 secured party is entitled to notify an account debtor or

1 the obligor on an instrument to make payment to the
2 secured party whether or not the assignor was theretofore
3 making collections on the collateral, and also to take
4 control of any proceeds to which the secured party is
5 entitled under section 9-306 of this title.

6 (2) A secured party who by agreement is entitled to
7 charge back uncollected collateral or otherwise to full
8 or limited recourse against the debtor and who undertakes
9 to collect from the account debtors or obligors must
10 proceed in a commercially reasonable manner and may
11 deduct reasonable expenses of realization from the
12 collections. If the security agreement secures an
13 indebtedness, the secured party must account to the
14 debtor for any surplus, and unless otherwise agreed, the
15 debtor is liable for any deficiency. But, if the
16 underlying transaction was a sale of accounts or chattel
17 paper, the debtor is entitled to any surplus or is liable
18 for any deficiency only if the security agreement so
19 provides."

20 Section 46. Chapter 9 of title 33 of the Code of the Federated
21 States of Micronesia is hereby amended by adding a new section 9-503
22 of subchapter V to read as follows:

23 "Section 9-503. Secured party's right to take possession
24 after default. Unless otherwise agreed a secured party
25 has on default the right to take possession of the

collateral. In taking possession a secured party may
proceed without judicial process if this can be done
without breach of the peace or may proceed by action. If
the security agreement so provides the secured party may
require the debtor to assemble the collateral and make it
available to the secured party at a place to be
designated by the secured party which is reasonably
convenient to both parties. Without removal a secured
party may render equipment unusable, and may dispose of
collateral on the debtor's premises under section 9-504
of this title."

Section 47. Chapter 9 of title 33 of the Code of the Federated
States of Micronesia is hereby amended by adding a new section 9-504
of subchapter V to read as follows:

"Section 9-504. Secured party's right to dispose of
collateral after default; effect of disposition.

(1) A secured party after default may sell, lease or
otherwise dispose of any or all of the collateral in its
then condition or following any commercially reasonable
preparation or processing. The proceeds of disposition
shall be applied in the order following to:

(a) the reasonable expenses of retaking, holding,
preparing for sale or lease, selling, leasing and the
like and, to the extend provided for in the agreement and
not prohibited by law, the reasonable attorney fees and

1 legal expenses incurred by the secured party;

2 (b) the satisfaction of indebtedness secured by
3 the security interest under which the disposition is
4 made;

5 (c) the satisfaction of indebtedness secured by
6 any subordinate security interest in the collateral if
7 written notification of demand therefor is received
8 before distribution of the proceeds is completed. If
9 requested by the secured party, the holder of a
10 subordinate security interest must seasonably furnish
11 reasonable proof of the holder's interest, and unless the
12 holder does so, the secured party need not comply with
13 the holder's demand.

14 (2) If the security interest secures an indebtedness,
15 the secured party must account to the debtor for any
16 surplus, and, unless otherwise agreed, the debtor is
17 liable for any deficiency. But if the underlying
18 transaction was a sale of accounts or chattel paper, the
19 debtor is entitled to any surplus or is liable for any
20 deficiency only if the security agreement so provides.

21 (3) Disposition of the collateral may be by public or
22 private proceedings and may be made by way of one or more
23 contracts. Sale or other disposition may be as a unit or
24 in parcels and at any time and place and on any terms but
25 every aspect of the disposition including the method,

manner, time, place and terms must be commercially
reasonable. Unless collateral is perishable or threatens
to decline speedily in value or is of a type customarily
sold on a recognized market, reasonable notification of
the time and place of any public sale or reasonable
notification of the time after which any private sale or
other intended disposition is to be made shall be sent by
the secured party to the debtor, if the debtor has not
signed after default a statement renouncing or modifying
his or her right to notification of sale. In the case of
consumer goods no other notification need be sent. In
other cases notification shall be sent to any other
secured party from whom the secured party has received
(before sending his or her notification to the debtor or
before the debtor's renunciation of his/her rights)
written notice of a claim of an interest in the
collateral. The secured party may buy at any public sale
and if the collateral is of a type customarily sold in a
recognized market or is of a type which is the subject of
widely distributed standard price quotations the secured
party may buy at private sale.

(4) When collateral is disposed of by a secured party
after default, the disposition transfers to a purchaser
for value all of the debtor's rights therein, discharges
the security interest under which it is made and any

security interest or lien subordinate thereto. The purchaser takes free of all such rights and interests even though the secured party fails to comply with the requirements of this subchapter or of any judicial proceedings:

(a) in the case of a public sale, if the purchaser has no knowledge of any defects in the sale and does not buy in collusion with the secured party, other bidders or the person conducting the sale; or

(b) in any other case, if the purchaser acts in good faith.

(5) A person who is liable to a secured party under a guaranty, endorsement, repurchase agreement or the like and who receives a transfer of collateral from the secured party or is subrogated to the rights of the secured party has thereafter the rights and duties of the secured party. Such a transfer of collateral is not a sale or disposition of the collateral under this chapter."

Section 48. Chapter 9 of title 33 of the Code of the Federated States of Micronesia is hereby amended by adding a new section 9-505 of subchapter V to read as follows:

"Section 9-505. Compulsory disposition of collateral; acceptance of the collateral as discharge of obligation.

(1) If the debtor has paid sixty percent of the cash

price in the case of a purchase money security interest
in consumer goods or sixty percent of the loan in the
case of another security interest in consumer goods, and
has not signed after default a statement renouncing or
modifying his or her rights under this subchapter, a
secured party who has taken possession of collateral must
dispose of it under section 9-504 of this title and if
such party fails to do so within one hundred eighty days
after taking possession, the debtor, at the debtor's
option, may recover in conversion or under section 9-
507(1) of this title on secured party's liability.

(2) In any other case involving consumer goods or any
other collateral a secured party in possession may, after
default, propose to retain the collateral in satisfaction
of the obligation. Written notice of such proposal shall
be sent to the debtor if the debtor has not signed, after
default, a statement renouncing or modifying his or her
rights under this subsection. In the case of consumer
goods no other notice need be given. In other cases
notice shall be sent to any other secured party from whom
the secured party has received (before sending notice to
the debtor or before the debtor's renunciation of rights)
written notice of a claim of an interest in the
collateral. If the secured party receives objection in
writing from a person entitled to receive notification

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1 within twenty-one days after the notice was sent, the
2 secured party must dispose of the collateral under
3 section 9-504 of this title. In the absence of such
4 written objection the secured party may retain the
5 collateral in satisfaction of the debtor's obligation."

6 Section 49. Chapter 9 of title 33 of the Code of the Federated
7 States of Micronesia is hereby amended by adding a new section 9-506
8 of subchapter V to read as follows:

9 "Section 9-506. Debtor's right to redeem collateral. At
10 any time before the secured party has disposed of
11 collateral or entered into a contract for its disposition
12 under section 9-504 of this title or before the
13 obligation has been discharged under section 9-505(2) of
14 this title the debtor or any other secured party may
15 unless otherwise agreed in writing after default redeem
16 the collateral by tendering fulfillment of all
17 obligations secured by the collateral as well as the
18 expenses reasonably incurred by the secured party in
19 retaking, holding and preparing the collateral for
20 disposition, in arranging for the sale, and to the extent
21 provided in the agreement and not prohibited by law, the
22 reasonable attorney fees and legal expenses of the
23 secured party."

24 Section 50. Chapter 9 of title 33 of the Code of the Federated
25 States of Micronesia is hereby amended by adding a new section 9-507

1 of subchapter V to read as follows:

2 "Section 9-507. Secured party's liability for failure to
3 comply with this subchapter.

4 (1) If it is established that the secured party is not
5 proceeding in accordance with the provisions of this
6 subchapter, disposition may be ordered or restrained on
7 appropriate terms and conditions. If the disposition has
8 occurred the debtor or any person entitled to
9 notification or whose security interest has been made
10 known to the secured party prior to the disposition has a
11 right to recover from the secured party any loss caused
12 by a failure to comply with the provisions of this
13 subchapter. If the collateral is consumer goods, the
14 debtor has a right to recover in any event an amount not
15 less than the credit service charge plus 10 percent of
16 the principal amount of the debt or the time price
17 differential plus 10 percent of the cash price.

18 (2) The fact that a better price could have been
19 obtained by a sale at a different time or in a different
20 method from that selected by the secured party is not of
21 itself sufficient to establish that the sale was not made
22 in a commercially reasonable manner. If the secured
23 party either sells the collateral in the usual manner in
24 any recognized market therefor or if the secured party
25 sells at the price current in such market at the time of

sale or if he or she has otherwise sold in conformity
with reasonable commercial practices among dealers in the
type of property sold, he or she has sold in a
commercially reasonable manner. The principles stated in
this subsection with respect to sales also apply as may
be appropriate to other types of disposition. A
disposition which has been approved in any judicial
proceeding or by any bona fide creditors' committee or
representative of creditors shall conclusively be deemed
to be commercially reasonable, but this sentence does not
indicate that any such approval must be obtained in any
case nor does it indicate that any disposition not so
approved is not commercially reasonable."

Section 51. This act shall take effect 90 days after becoming law.

Section 52. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 1/24/00

Introduced by: 

Peter M. Christian