

1 payment, but ss. 409.315 and 409.322 apply with respect to proceeds and priorities
2 in proceeds;

3 (i) An assignment of a right represented by a judgment, other than a judgment
4 taken on a right to payment that was collateral;

5 (j) A right of recoupment or setoff, but:

6 1. Section 409.340 applies with respect to the effectiveness of rights of
7 recoupment or setoff against deposit accounts; and

8 2. Section 409.404 applies with respect to defenses or claims of an account
9 debtor;

10 (k) The creation or transfer of an interest in or lien on real property, including
11 a lease or rents thereunder, except to the extent that provision is made for:

12 1. Liens on real property in ss. 409.203 and 409.308;

13 2. Fixtures in s. 409.334;

14 3. Fixture filings in ss. 409.501, 409.502, 409.512, 409.516, and 409.519; and

15 4. Security agreements covering personal and real property in s. 409.604;

16 (L) An assignment of a claim arising in tort, other than a commercial tort claim,
17 but ss. 409.315 and 409.322 apply with respect to proceeds and priorities in proceeds;
18 or

19 (m) An assignment of a deposit account in a consumer transaction, but ss.
20 409.315 and 409.322 apply with respect to proceeds and priorities in proceeds.

21 **409.110 Security interests arising under ch. 402 or 411.** A security
22 interest arising under s. 402.401, 402.505, 402.711 (3), or 411.508 (5) is subject to this
23 chapter. However, until the debtor obtains possession of the goods:

24 (1) The security interest is enforceable, even if s. 409.203 (2) (c) has not been
25 satisfied;

1 (b) Extend the application of the rule of law, statute, or rule to a transaction
2 not otherwise subject to the rule of law, statute, or rule.

3 **409.202 Title to collateral immaterial.** Except as otherwise provided with
4 respect to consignments or sales of accounts, chattel paper, payment intangibles, or
5 promissory notes, the provisions of this chapter with regard to rights and obligations
6 apply whether title to collateral is in the secured party or the debtor.

7 **409.203 Attachment and enforceability of security interest; proceeds;
8 supporting obligations; formal requisites.** (1) ATTACHMENT. A security interest
9 attaches to collateral when it becomes enforceable against the debtor with respect
10 to the collateral, unless an agreement expressly postpones the time of attachment.

11 (2) ENFORCEABILITY. Except as otherwise provided in subs. (3) to (9), a security
12 interest is enforceable against the debtor and 3rd parties with respect to the
13 collateral only if:

14 (a) Value has been given;
15 (b) The debtor has rights in the collateral or the power to transfer rights in the
16 collateral to a secured party; and

17 (c) One of the following conditions is met:
18 1. The debtor has authenticated a security agreement that provides a
19 description of the collateral and, if the security interest covers timber to be cut, a
20 description of the land concerned;

21 2. The collateral is not a certificated security and is in the possession of the
22 secured party under s. 409.313 pursuant to the debtor's security agreement;

23 3. The collateral is a certificated security in registered form and the security
24 certificate has been delivered to the secured party under s. 408.301 pursuant to the
25 debtor's security agreement; or

1 4. The collateral is deposit accounts, electronic chattel paper, investment
2 property, or letter-of-credit rights, and the secured party has control under s.
3 409.104, 409.105, 409.106, or 409.107 pursuant to the debtor's security agreement.

4 **(3) OTHER UNIFORM COMMERCIAL CODE PROVISIONS.** Subsection (2) is subject to s.
5 404.210 on the security interest of a collecting bank, s. 405.118 on the security
6 interest of a letter-of-credit issuer or nominated person, s. 409.110 on a security
7 interest arising under ch. 402 or 411, and s. 409.206 on security interests in
8 investment property.

9 **(4) WHEN PERSON BECOMES BOUND BY ANOTHER PERSON'S SECURITY AGREEMENT.** (a)
10 A person becomes bound as debtor by a security agreement entered into by another
11 person if, by operation of law other than this chapter or by contract:

12 1. The security agreement becomes effective to create a security interest in the
13 person's property; or

14 2. The person becomes generally obligated for the obligations of the other
15 person, including the obligation secured under the security agreement, and acquires
16 or succeeds to all or substantially all of the assets of the other person.

17 (b) A security agreement authenticated by one spouse is authenticated by the
18 debtor under this section if that spouse acting alone has the right under s. 766.51 to
19 manage and control the collateral, unless a marital property agreement or court
20 decree that is binding on the secured party under s. 766.55 (4m) or 766.56 (2) (c)
21 provides otherwise.

22 **(5) EFFECT OF NEW DEBTOR BECOMING BOUND.** If a new debtor becomes bound as
23 debtor by a security agreement entered into by another person:

1 (a) The agreement satisfies sub. (2) (c) with respect to existing or
2 after-acquired property of the new debtor to the extent that the property is described
3 in the agreement; and

4 (b) Another agreement is not necessary to make a security interest in the
5 property enforceable.

6 **(6) PROCEEDS AND SUPPORTING OBLIGATIONS.** The attachment of a security
7 interest in collateral gives the secured party the rights to proceeds provided by s.
8 409.315 and is also attachment of a security interest in a supporting obligation for
9 the collateral.

10 **(7) LIEN SECURING RIGHT TO PAYMENT.** The attachment of a security interest in
11 a right to payment or performance secured by a security interest or other lien on
12 personal or real property is also attachment of a security interest in the security
13 interest, mortgage, or other lien.

14 **(8) SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT.** The attachment of
15 a security interest in a securities account is also attachment of a security interest in
16 the security entitlements carried in the securities account.

17 **(9) COMMODITY CONTRACTS CARRIED IN COMMODITY ACCOUNT.** The attachment of
18 a security interest in a commodity account is also attachment of a security interest
19 in the commodity contracts carried in the commodity account.

20 **409.204 After-acquired property; future advances. (1) AFTER-ACQUIRED**
21 **COLLATERAL.** Except as otherwise provided in sub. (2), a security agreement may
22 create or provide for a security interest in after-acquired collateral.

23 **(2) WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE.** A security interest
24 does not attach under a term constituting an after-acquired property clause to:

1 (a) Consumer goods, other than an accession when given as additional security,
2 unless the debtor acquires rights in them within 10 days after the secured party gives
3 value; or

4 (b) A commercial tort claim.

5 (3) FUTURE ADVANCES AND OTHER VALUE. A security agreement may provide that
6 collateral secures, or that accounts, chattel paper, payment intangibles, or
7 promissory notes are sold in connection with, future advances or other value,
8 whether or not the advances or value are given pursuant to commitment.

9 **409.205 Use or disposition of collateral permissible.** (1) WHEN SECURITY
10 INTEREST NOT INVALID OR FRAUDULENT. A security interest is not invalid or fraudulent
11 against creditors solely because:

12 (a) The debtor has the right or ability to:

13 1. Use, commingle, or dispose of all or part of the collateral, including returned
14 or repossessed goods;

15 2. Collect, compromise, enforce, or otherwise deal with collateral;

16 3. Accept the return of collateral or make repossessions; or

17 4. Use, commingle, or dispose of proceeds; or

18 (b) The secured party fails to require the debtor to account for proceeds or
19 replace collateral.

20 (2) REQUIREMENTS OF POSSESSION NOT RELAXED. This section does not relax the
21 requirements of possession if attachment, perfection, or enforcement of a security
22 interest depends upon possession of the collateral by the secured party.

23 **409.206 Security interest arising in purchase or delivery of financial**
24 **asset.** (1) SECURITY INTEREST WHEN PERSON BUYS THROUGH SECURITIES INTERMEDIARY.

1 A security interest in favor of a securities intermediary attaches to a person's
2 security entitlement if:

3 (a) The person buys a financial asset through the securities intermediary in a
4 transaction in which the person is obligated to pay the purchase price to the
5 securities intermediary at the time of the purchase; and

6 (b) The securities intermediary credits the financial asset to the buyer's
7 securities account before the buyer pays the securities intermediary.

8 (2) SECURITY INTEREST SECURES OBLIGATION TO PAY FOR FINANCIAL ASSET. The
9 security interest described in sub. (1) secures the person's obligation to pay for the
10 financial asset.

11 (3) SECURITY INTEREST IN PAYMENT AGAINST DELIVERY TRANSACTION. A security
12 interest in favor of a person that delivers a certificated security or other financial
13 asset represented by a writing attaches to the security or other financial asset if:

14 (a) The security or other financial asset:

15 1. In the ordinary course of business is transferred by delivery with any
16 necessary endorsement or assignment; and

17 2. Is delivered under an agreement between persons in the business of dealing
18 with such securities or financial assets; and

19 (b) The agreement calls for delivery against payment.

20 (4) SECURITY INTEREST SECURES OBLIGATION TO PAY FOR DELIVERY. The security
21 interest described in sub. (3) secures the obligation to make payment for the delivery.

22 **409.207 Rights and duties of secured party having possession or**
23 **control of collateral. (1) DUTY OF CARE WHEN SECURED PARTY IN POSSESSION.** Except
24 as otherwise provided in sub. (4), a secured party shall use reasonable care in the
25 custody and preservation of collateral in the secured party's possession. In the case

1 of chattel paper or an instrument, reasonable care includes taking necessary steps
2 to preserve rights against prior parties unless otherwise agreed.

3 (2) EXPENSES, RISKS, DUTIES, AND RIGHTS WHEN SECURED PARTY IN POSSESSION.

4 Except as otherwise provided in sub. (4), if a secured party has possession of
5 collateral:

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

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

11 (c) The secured party shall keep the collateral identifiable, but fungible
12 collateral may be commingled; and

13 (d) The secured party may use or operate the collateral:

14 1. For the purpose of preserving the collateral or its value;

15 2. As permitted by an order of a court having competent jurisdiction; or

16 3. Except in the case of consumer goods, in the manner and to the extent agreed
17 by the debtor.

18 (3) DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR CONTROL. Except
19 as otherwise provided in sub. (4), a secured party having possession of collateral or
20 control of collateral under s. 409.104, 409.105, 409.106, or 409.107:

21 (a) May hold as additional security any proceeds, except money or funds,
22 received from the collateral;

23 (b) Shall apply money or funds received from the collateral to reduce the
24 secured obligation, unless remitted to the debtor; and

25 (c) May create a security interest in the collateral.

1 (4) BUYER OF CERTAIN RIGHTS TO PAYMENT. If the secured party is a buyer of
2 accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

3 (a) Subsection (1) does not apply unless the secured party is entitled under an
4 agreement:

- 5 1. To charge back uncollected collateral; or
6 2. Otherwise to full or limited recourse against the debtor or a secondary obligor
7 based on the nonpayment or other default of an account debtor or other obligor on
8 the collateral; and

9 (b) Subsections (1) and (2) do not apply.

10 **409.208 Additional duties of secured party having control of collateral.**

11 (1) APPLICABILITY OF SECTION. This section applies to cases in which there is no
12 outstanding secured obligation and the secured party is not committed to make
13 advances, incur obligations, or otherwise give value.

14 (2) DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR. Within 10
15 days after receiving an authenticated demand by the debtor:

16 (a) A secured party having control of a deposit account under s. 409.104 (1) (b)
17 shall send to the bank with which the deposit account is maintained an
18 authenticated statement that releases the bank from any further obligation to
19 comply with instructions originated by the secured party;

20 (b) A secured party having control of a deposit account under s. 409.104 (1) (c)
21 shall:

- 22 1. Pay the debtor the balance on deposit in the deposit account; or
23 2. Transfer the balance on deposit into a deposit account in the debtor's name;

24 (c) A secured party, other than a buyer, having control of electronic chattel
25 paper under s. 409.105 shall:

1 1. Communicate the authoritative copy of the electronic chattel paper to the
2 debtor or its designated custodian;

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

9 3. Take appropriate action to enable the debtor or its designated custodian to
10 make copies of or revisions to the authoritative copy which add or change an
11 identified assignee of the authoritative copy without the consent of the secured party;

12 (d) A secured party having control of investment property under s. 408.106 (4)
13 (b) or 409.106 (2) shall send to the securities intermediary or commodity
14 intermediary with which the security entitlement or commodity contract is
15 maintained an authenticated record that releases the securities intermediary or
16 commodity intermediary from any further obligation to comply with entitlement
17 orders or directions originated by the secured party; and

18 (e) A secured party having control of a letter-of-credit right under s. 409.107
19 shall send to each person having an unfulfilled obligation to pay or deliver proceeds
20 of the letter of credit to the secured party an authenticated release from any further
21 obligation to pay or deliver proceeds of the letter of credit to the secured party.

22 **409.209 Duties of secured party if account debtor has been notified of**
23 **assignment. (1) APPLICABILITY OF SECTION.** Except as otherwise provided in sub. (3),
24 this section applies if:

25 (a) There is no outstanding secured obligation; and

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

3 (2) DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR. Within 10
4 days after receiving an authenticated demand by the debtor, a secured party shall
5 send to an account debtor that has received notification of an assignment to the
6 secured party as assignee under s. 409.406 (1) an authenticated record that releases
7 the account debtor from any further obligation to the secured party.

8 (3) INAPPLICABILITY TO SALES. This section does not apply to an assignment
9 constituting the sale of an account, chattel paper, or payment intangible.

10 **409.210 Request for accounting; request regarding list of collateral or**
11 **statement of account. (1) DEFINITIONS. In this section:**

12 (a) “Request” means a record of a type described in par. (b), (c), or (d).

13 (b) “Request for an accounting” means a record authenticated by a debtor
14 requesting that the recipient provide an accounting of the unpaid obligations secured
15 by collateral and reasonably identifying the transaction or relationship that is the
16 subject of the request.

17 (c) “Request regarding a list of collateral” means a record authenticated by a
18 debtor requesting that the recipient approve or correct a list of what the debtor
19 believes to be the collateral securing an obligation and reasonably identifying the
20 transaction or relationship that is the subject of the request.

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

1 (2) DUTY TO RESPOND TO REQUESTS. Subject to subs. (3) to (6), a secured party,
2 other than a buyer of accounts, chattel paper, payment intangibles, or promissory
3 notes or a consignor, shall comply with a request within 14 days after receipt:

4 (a) In the case of a request for an accounting, by authenticating and sending
5 to the debtor an accounting; and

6 (b) In the case of a request regarding a list of collateral or a request regarding
7 a statement of account, by authenticating and sending to the debtor an approval or
8 correction.

9 (3) REQUEST REGARDING LIST OF COLLATERAL; STATEMENT CONCERNING TYPE OF
10 COLLATERAL. A secured party that claims a security interest in all of a particular type
11 of collateral owned by the debtor may comply with a request regarding a list of
12 collateral by sending to the debtor an authenticated record including a statement to
13 that effect within 14 days after receipt.

14 (4) REQUEST REGARDING LIST OF COLLATERAL; NO INTEREST CLAIMED. A person that
15 receives a request regarding a list of collateral, claims no interest in the collateral
16 when it receives the request, and claimed an interest in the collateral at an earlier
17 time shall comply with the request within 14 days after receipt by sending to the
18 debtor an authenticated record:

19 (a) Disclaiming any interest in the collateral; and

20 (b) If known to the recipient, providing the name and mailing address of any
21 assignee of or successor to the recipient's interest in the collateral.

22 (5) REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF ACCOUNT; NO INTEREST
23 IN OBLIGATION CLAIMED. A person that receives a request for an accounting or a request
24 regarding a statement of account, claims no interest in the obligations when it
25 receives the request, and claimed an interest in the obligations at an earlier time

1 shall comply with the request within 14 days after receipt by sending to the debtor
2 an authenticated record:

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

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

6 (6) CHARGES FOR RESPONSES. A debtor is entitled without charge to one response
7 to a request under this section during any 6-month period. The secured party may
8 require payment of a charge not exceeding \$25 for each additional response.

9 SUBCHAPTER III

10 PERFECTION AND PRIORITY

11 **409.301 Law governing perfection and priority of security interests.**

12 Except as otherwise provided in ss. 409.303 to 409.306, the following rules determine
13 the law governing perfection, the effect of perfection or nonperfection, and the
14 priority of a security interest in collateral:

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

19 (2) LOCATION OF COLLATERAL. While collateral is located in a jurisdiction, the
20 local law of that jurisdiction governs perfection, the effect of perfection or
21 nonperfection, and the priority of a possessory security interest in that collateral.

22 (3) LOCATION OF PROPERTY. Except as otherwise provided in sub. (4), while
23 negotiable documents, goods, instruments, money, or tangible chattel paper is
24 located in a jurisdiction, the local law of that jurisdiction governs:

25 (a) Perfection of a security interest in the goods by filing a fixture filing;

1 (b) Perfection of a security interest in timber to be cut; and

2 (c) The effect of perfection or nonperfection and the priority of a nonpossessory
3 security interest in the collateral.

4 (4) LOCATION OF WELLHEAD OR MINEHEAD. The local law of the jurisdiction in
5 which the wellhead or minehead is located governs perfection, the effect of perfection
6 or nonperfection, and the priority of a security interest in as-extracted collateral.

7 **409.302 Law governing perfection and priority of agricultural liens.**

8 While farm products are located in a jurisdiction, the local law of that jurisdiction
9 governs perfection, the effect of perfection or nonperfection, and the priority of an
10 agricultural lien on the farm products.

11 **409.303 Law governing perfection and priority of security interests in**
12 **goods covered by a certificate of title. (1) APPLICABILITY OF SECTION.** This section
13 applies to goods covered by a certificate of title, even if there is no other relationship
14 between the jurisdiction under whose certificate of title the goods are covered and the
15 goods or the debtor.

16 (2) WHEN GOODS COVERED BY CERTIFICATE OF TITLE. Goods become covered by a
17 certificate of title when a valid application for the certificate of title and the
18 applicable fee are delivered to the appropriate authority. Goods cease to be covered
19 by a certificate of title at the earlier of the time the certificate of title ceases to be
20 effective under the law of the issuing jurisdiction or the time the goods become
21 covered subsequently by a certificate of title issued by another jurisdiction.

22 (3) APPLICABLE LAW. The local law of the jurisdiction under whose certificate of
23 title the goods are covered governs perfection, the effect of perfection or
24 nonperfection, and the priority of a security interest in goods covered by a certificate

1 of title from the time the goods become covered by the certificate of title until the
2 goods cease to be covered by the certificate of title.

3 **409.304 Law governing perfection and priority of security interests in**
4 **deposit accounts. (1) LAW OF BANK'S JURISDICTION GOVERNS.** The local law of a bank's
5 jurisdiction governs perfection, the effect of perfection or nonperfection, and the
6 priority of a security interest in a deposit account maintained with that bank.

7 (2) **BANK'S JURISDICTION.** The following rules determine a bank's jurisdiction for
8 purposes of this subchapter:

9 (a) If an agreement between the bank and the debtor governing the deposit
10 account expressly provides that a particular jurisdiction is the bank's jurisdiction for
11 purposes of this subchapter, this chapter, or chs. 401 to 411, that jurisdiction is the
12 bank's jurisdiction.

13 (b) If par. (a) does not apply and an agreement between the bank and its
14 customer governing the deposit account expressly provides that the agreement is
15 governed by the law of a particular jurisdiction, that jurisdiction is the bank's
16 jurisdiction.

17 (c) If neither par. (a) nor par. (b) applies and an agreement between the bank
18 and its customer governing the deposit account expressly provides that the deposit
19 account is maintained at an office in a particular jurisdiction, that jurisdiction is the
20 bank's jurisdiction.

21 (d) If none of pars. (a) to (c) applies, the bank's jurisdiction is the jurisdiction
22 in which the office identified in an account statement as the office serving the
23 customer's account is located.

24 (e) If none of pars. (a) to (d) applies, the bank's jurisdiction is the jurisdiction
25 in which the chief executive office of the bank is located.

1 **409.305 Law governing perfection and priority of security interests in**
2 **investment property. (1) GOVERNING LAW: GENERAL RULES.** Except as otherwise
3 provided in sub. (3), the following rules apply:

4 (a) While a security certificate is located in a jurisdiction, the local law of that
5 jurisdiction governs perfection, the effect of perfection or nonperfection, and the
6 priority of a security interest in the certificated security represented thereby.

7 (b) The local law of the issuer's jurisdiction as specified in s. 408.110 (4) governs
8 perfection, the effect of perfection or nonperfection, and the priority of a security
9 interest in an uncertificated security.

10 (c) The local law of the securities intermediary's jurisdiction as specified in s.
11 408.110 (5) governs perfection, the effect of perfection or nonperfection, and the
12 priority of a security interest in a security entitlement or securities account.

13 (d) The local law of the commodity intermediary's jurisdiction governs
14 perfection, the effect of perfection or nonperfection, and the priority of a security
15 interest in a commodity contract or commodity account.

16 **(2) COMMODITY INTERMEDIARY'S JURISDICTION.** The following rules determine a
17 commodity intermediary's jurisdiction for purposes of this subchapter:

18 (a) If an agreement between the commodity intermediary and commodity
19 customer governing the commodity account expressly provides that a particular
20 jurisdiction is the commodity intermediary's jurisdiction for purposes of this
21 subchapter, this chapter, or chs. 401 to 411, that jurisdiction is the commodity
22 intermediary's jurisdiction.

23 (b) If par. (a) does not apply and an agreement between the commodity
24 intermediary and commodity customer governing the commodity account expressly

1 provides that the agreement is governed by the law of a particular jurisdiction, that
2 jurisdiction is the commodity intermediary's jurisdiction.

3 (c) If neither par. (a) nor par. (b) applies and an agreement between the
4 commodity intermediary and commodity customer governing the commodity
5 account expressly provides that the commodity account is maintained at an office in
6 a particular jurisdiction, that jurisdiction is the commodity intermediary's
7 jurisdiction.

8 (d) If none of pars. (a) to (c) applies, the commodity intermediary's jurisdiction
9 is the jurisdiction in which the office identified in an account statement as the office
10 serving the commodity customer's account is located.

11 (e) If none of pars. (a) to (d) applies, the commodity intermediary's jurisdiction
12 is the jurisdiction in which the chief executive office of the commodity intermediary
13 is located.

14 **(3) WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE DEBTOR LOCATED.**

15 The local law of the jurisdiction in which the debtor is located governs:

16 (a) Perfection of a security interest in investment property by filing;

17 (b) Automatic perfection of a security interest in investment property created
18 by a broker or securities intermediary; and

19 (c) Automatic perfection of a security interest in a commodity contract or
20 commodity account created by a commodity intermediary.

21 **409.306 Law governing perfection and priority of security interests in**
22 **letter-of-credit rights. (1) GOVERNING LAW: ISSUER'S OR NOMINATED PERSON'S**
23 **JURISDICTION.** Subject to sub. (3), the local law of the issuer's jurisdiction or a
24 nominated person's jurisdiction governs perfection, the effect of perfection or

1 nonperfection, and the priority of a security interest in a letter-of-credit right if the
2 issuer's jurisdiction or nominated person's jurisdiction is a state.

3 (2) ISSUER'S OR NOMINATED PERSON'S JURISDICTION. For purposes of this
4 subchapter, an issuer's jurisdiction or nominated person's jurisdiction is the
5 jurisdiction whose law governs the liability of the issuer or nominated person with
6 respect to the letter-of-credit right as provided in ch. 405.

7 (3) WHEN SECTION NOT APPLICABLE. This section does not apply to a security
8 interest that is perfected only under s. 409.308 (4).

9 **409.307 Location of debtor. (1) PLACE OF BUSINESS.** In this section, "place
10 of business" means a place where a debtor conducts its affairs.

11 (2) DEBTOR'S LOCATION: GENERAL RULES. Except as otherwise provided in this
12 section, the following rules determine a debtor's location:

13 (a) A debtor who is an individual is located at the individual's principal
14 residence.

15 (b) A debtor that is an organization and has only one place of business is located
16 at its place of business.

17 (c) A debtor that is an organization and has more than one place of business
18 is located at its chief executive office.

19 (3) LIMITATION OF APPLICABILITY OF SUB. (2). Subsection (2) applies only if a
20 debtor's residence, place of business, or chief executive office, as applicable, is located
21 in a jurisdiction whose law generally requires information concerning the existence
22 of a nonpossessory security interest to be made generally available in a filing,
23 recording, or registration system as a condition or result of the security interest's
24 obtaining priority over the rights of a lien creditor with respect to the collateral. If
25 sub. (2) does not apply, the debtor is located in the District of Columbia.

1 (4) CONTINUATION OF LOCATION: CESSATION OF EXISTENCE. A person that ceases
2 to exist, have a residence, or have a place of business continues to be located in the
3 jurisdiction specified by subs. (2) and (3).

4 (5) LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER STATE LAW. A
5 registered organization that is organized under the law of a state is located in that
6 state.

7 (6) LOCATION OF REGISTERED ORGANIZATION ORGANIZED UNDER FEDERAL LAW; BANK
8 BRANCHES AND AGENCIES. Except as otherwise provided in sub. (9), a registered
9 organization that is organized under the law of the United States and a branch or
10 agency of a bank that is not organized under the law of the United States or a state
11 are located:

12 (a) In the state that the law of the United States designates, if the law
13 designates a state of location;

14 (b) In the state that the registered organization, branch, or agency designates,
15 if the law of the United States authorizes the registered organization, branch, or
16 agency to designate its state of location; or

17 (c) In the District of Columbia, if neither par. (a) nor par. (b) applies.

18 (7) CONTINUATION OF LOCATION: CHANGE IN STATUS OF REGISTERED ORGANIZATION.
19 A registered organization continues to be located in the jurisdiction specified by sub.
20 (5) or (6) notwithstanding:

21 (a) The suspension, revocation, forfeiture, or lapse of the registered
22 organization's status as such in its jurisdiction of organization; or

23 (b) The dissolution, winding up, or cancellation of the existence of the
24 registered organization.

1 (8) LOCATION OF UNITED STATES. The United States is located in the District of
2 Columbia.

3 (9) LOCATION OF FOREIGN BANK BRANCH OR AGENCY IF LICENSED IN ONLY ONE STATE.
4 A branch or agency of a bank that is not organized under the law of the United States
5 or a state is located in the state in which the branch or agency is licensed, if all
6 branches and agencies of the bank are licensed in only one state.

7 (10) LOCATION OF FOREIGN AIR CARRIER. A foreign air carrier under the Federal
8 Aviation Act of 1958, as amended, is located at the designated office of the agent upon
9 which service of process may be made on behalf of the carrier.

10 (11) SECTION APPLIES ONLY TO THIS SUBCHAPTER. This section applies only for
11 purposes of this subchapter.

12 **409.308 When security interest or agricultural lien is perfected;**
13 **continuity of perfection.** (1) PERFECTION OF SECURITY INTEREST. Except as
14 otherwise provided in this section and s. 409.309, a security interest is perfected if
15 it has attached and all of the applicable requirements for perfection in ss. 409.310
16 to 409.316 have been satisfied. A security interest is perfected when it attaches if
17 the applicable requirements are satisfied before the security interest attaches.

18 (2) PERFECTION OF AGRICULTURAL LIEN. An agricultural lien is perfected if it has
19 become effective and all of the applicable requirements for perfection in s. 409.310
20 have been satisfied. An agricultural lien is perfected when it becomes effective if the
21 applicable requirements are satisfied before the agricultural lien becomes effective.

22 (3) CONTINUOUS PERFECTION; PERFECTION BY DIFFERENT METHODS. A security
23 interest or agricultural lien is perfected continuously if it is originally perfected by
24 one method under this chapter and is later perfected by another method under this
25 chapter, without an intermediate period when it was unperfected.

1 (4) SUPPORTING OBLIGATION. Perfection of a security interest in collateral also
2 perfects a security interest in a supporting obligation for the collateral.

3 (5) LIEN SECURING RIGHT TO PAYMENT. Perfection of a security interest in a right
4 to payment or performance also perfects a security interest in a security interest,
5 mortgage, or other lien on personal or real property securing the right.

6 (6) SECURITY ENTITLEMENT CARRIED IN SECURITIES ACCOUNT. Perfection of a
7 security interest in a securities account also perfects a security interest in the
8 security entitlements carried in the securities account.

9 (7) COMMODITY CONTRACT CARRIED IN COMMODITY ACCOUNT. Perfection of a
10 security interest in a commodity account also perfects a security interest in the
11 commodity contracts carried in the commodity account.

12 **409.309 Security interest perfected upon attachment.** The following
13 security interests are perfected when they attach:

14 (1) A purchase–money security interest in consumer goods, except as otherwise
15 provided in s. 409.311 (2) with respect to consumer goods that are subject to a statute
16 or treaty described in s. 409.311 (1);

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

20 (3) A sale of a payment intangible;

21 (4) A sale of a promissory note;

22 (5) A security interest created by the assignment of a health–care–insurance
23 receivable to the provider of the health–care goods or services;

24 (6) A security interest arising under s. 402.401, 402.505, 402.711 (3), or 411.508
25 (5), until the debtor obtains possession of the collateral;

1 (7) A security interest of a collecting bank arising under s. 404.210;

2 (8) A security interest of an issuer or nominated person arising under s.
3 405.118;

4 (9) A security interest arising in the delivery of a financial asset under s.
5 409.206 (3);

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

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

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

12 (13) A security interest created by an assignment of a beneficial interest in a
13 decedent's estate.

14 **409.310 When filing required to perfect security interest or**
15 **agricultural lien; security interests and agricultural liens to which filing**
16 **provisions do not apply. (1) GENERAL RULE: PERFECTION BY FILING.** Except as
17 otherwise provided in sub. (2) and s. 409.312 (2), a financing statement must be filed
18 to perfect all security interests and agricultural liens.

19 (2) EXCEPTIONS: FILING NOT NECESSARY. The filing of a financing statement is
20 not necessary to perfect a security interest:

21 (a) That is perfected under s. 409.308 (4), (5), (6), or (7);

22 (b) That is perfected under s. 409.309 when it attaches;

23 (c) In property subject to a statute, regulation, or treaty described in s. 409.311
24 (1);

1 (d) In goods in possession of a bailee which is perfected under s. 409.312 (4) (a)
2 or (b);

3 (e) In certificated securities, documents, goods, or instruments which is
4 perfected without filing or possession under s. 409.312 (5), (6), or (7);

5 (f) In collateral in the secured party's possession under s. 409.313;

6 (g) In a certificated security which is perfected by delivery of the security
7 certificate to the secured party under s. 409.313;

8 (h) In deposit accounts, electronic chattel paper, investment property, or
9 letter-of-credit rights which is perfected by control under s. 409.314;

10 (i) In proceeds which is perfected under s. 409.315; or

11 (j) That is perfected under s. 409.316.

12 (3) ASSIGNMENT OF PERFECTED SECURITY INTEREST. If a secured party assigns a
13 perfected security interest or agricultural lien, a filing under this chapter is not
14 required to continue the perfected status of the security interest against creditors of
15 and transferees from the original debtor.

16 **409.311 Perfection of security interests in property subject to certain**
17 **statutes, regulations, and treaties.** (1) SECURITY INTEREST SUBJECT TO OTHER LAW.
18 Except as otherwise provided in sub. (4), the filing of a financing statement is not
19 necessary or effective to perfect a security interest in property subject to:

20 (a) A statute, regulation, or treaty of the United States whose requirements for
21 a security interest's obtaining priority over the rights of a lien creditor with respect
22 to the property preempt s. 409.310 (1).

23 (b) The following vehicle title statutes: ss. 342.19 and 342.20.

24 (bm) The following boat title statutes: ss. 30.57, 30.572, and 30.573.

1 (c) A certificate-of-title statute of another jurisdiction which provides for a
2 security interest to be indicated on the certificate as a condition or result of the
3 security interest's obtaining priority over the rights of a lien creditor with respect to
4 the property.

5 (d) Sections 182.025 and 190.11 and other statutes providing for central filing.

6 (e) A master lease entered into by the state under s. 16.76 (4).

7 (f) The manufactured home security interest provisions under subch. V of ch.
8 101.

9 (2) COMPLIANCE WITH OTHER LAW. Compliance with the requirements of a
10 statute, regulation, or treaty described in sub. (1) for obtaining priority over the
11 rights of a lien creditor is equivalent to the filing of a financing statement under this
12 chapter. Except as otherwise provided in sub. (4) and ss. 409.313 and 409.316 (4) and
13 (5) for goods covered by a certificate of title, a security interest in property subject
14 to a statute, regulation, or treaty described in sub. (1) may be perfected only by
15 compliance with those requirements, and a security interest so perfected remains
16 perfected notwithstanding a change in the use or transfer of possession of the
17 collateral.

18 (3) DURATION AND RENEWAL OF PERFECTION. Except as otherwise provided in sub.
19 (4) and s. 409.316 (4) and (5), duration and renewal of perfection of a security interest
20 perfected by compliance with the requirements prescribed by a statute, regulation,
21 or treaty described in sub. (1) are governed by the statute, regulation, or treaty. In
22 other respects, the security interest is subject to this chapter.

23 (4) INAPPLICABILITY TO CERTAIN INVENTORY. During any period in which collateral
24 subject to a statute specified in sub. (1) (b), (bm), or (f) is inventory held for sale or
25 lease by a person or leased by that person as lessor and that person is in the business

1 of selling goods of that kind, this section does not apply to a security interest in that
2 collateral created by that person.

3 **409.312 Perfection of security interests in chattel paper, deposit**
4 **accounts, documents, goods covered by documents, instruments,**
5 **investment property, letter-of-credit rights, and money; perfection by**
6 **permissive filing; temporary perfection without filing or transfer of**
7 **possession. (1) PERFECTION BY FILING PERMITTED.** A security interest in chattel
8 paper, negotiable documents, instruments, or investment property may be perfected
9 by filing.

10 (2) CONTROL OR POSSESSION OF CERTAIN COLLATERAL. Except as otherwise
11 provided in s. 409.315 (3) and (4) for proceeds:

12 (a) A security interest in a deposit account may be perfected only by control
13 under s. 409.314;

14 (b) And except as otherwise provided in s. 409.308 (4), a security interest in a
15 letter-of-credit right may be perfected only by control under s. 409.314; and

16 (c) A security interest in money may be perfected only by the secured party's
17 taking possession under s. 409.313.

18 (3) GOODS COVERED BY NEGOTIABLE DOCUMENT. While goods are in the possession
19 of a bailee that has issued a negotiable document covering the goods:

20 (a) A security interest in the goods may be perfected by perfecting a security
21 interest in the document; and

22 (b) A security interest perfected in the document has priority over any security
23 interest that becomes perfected in the goods by another method during that time.

1 **(4) GOODS COVERED BY NONNEGOTIABLE DOCUMENT.** While goods are in the
2 possession of a bailee that has issued a nonnegotiable document covering the goods,
3 a security interest in the goods may be perfected by:

- 4 (a) Issuance of a document in the name of the secured party;
5 (b) The bailee's receipt of notification of the secured party's interest; or
6 (c) Filing as to the goods.

7 **(5) TEMPORARY PERFECTION: NEW VALUE.** A security interest in certificated
8 securities, negotiable documents, or instruments is perfected without filing or the
9 taking of possession for a period of 20 days from the time it attaches to the extent that
10 it arises for new value given under an authenticated security agreement.

11 **(6) TEMPORARY PERFECTION: GOODS OR DOCUMENTS MADE AVAILABLE TO DEBTOR.** A
12 perfected security interest in a negotiable document or goods in possession of a
13 bailee, other than one that has issued a negotiable document for the goods, remains
14 perfected for 20 days without filing if the secured party makes available to the debtor
15 the goods or documents representing the goods for the purpose of:

- 16 (a) Ultimate sale or exchange; or
17 (b) Loading, unloading, storing, shipping, transshipping, manufacturing,
18 processing, or otherwise dealing with them in a manner preliminary to their sale or
19 exchange.

20 **(7) TEMPORARY PERFECTION: DELIVERY OF SECURITY CERTIFICATE OR INSTRUMENT TO**
21 **DEBTOR.** A perfected security interest in a certificated security or instrument remains
22 perfected for 20 days without filing if the secured party delivers the security
23 certificate or instrument to the debtor for the purpose of:

- 24 (a) Ultimate sale or exchange; or
25 (b) Presentation, collection, enforcement, renewal, or registration of transfer.

1 (8) EXPIRATION OF TEMPORARY PERFECTION. After the 20–day period specified in
2 sub. (5), (6), or (7) expires, perfection depends upon compliance with this chapter.

3 **409.313 When possession by or delivery to secured party perfects**
4 **security interest without filing. (1) PERFECTION BY POSSESSION OR DELIVERY.**
5 Except as otherwise provided in sub. (2), a secured party may perfect a security
6 interest in negotiable documents, goods, instruments, money, or tangible chattel
7 paper by taking possession of the collateral. A secured party may perfect a security
8 interest in certificated securities by taking delivery of the certificated securities
9 under s. 408.301.

10 (2) GOODS COVERED BY CERTIFICATE OF TITLE. With respect to goods covered by
11 a certificate of title issued by this state, a secured party may perfect a security
12 interest in the goods by taking possession of the goods only in the circumstances
13 described in s. 409.316 (4).

14 (3) COLLATERAL IN POSSESSION OF PERSON OTHER THAN DEBTOR. With respect to
15 collateral other than certificated securities and goods covered by a document, a
16 secured party takes possession of collateral in the possession of a person other than
17 the debtor, the secured party, or a lessee of the collateral from the debtor in the
18 ordinary course of the debtor’s business, when:

19 (a) The person in possession authenticates a record acknowledging that the
20 person holds possession of the collateral for the secured party’s benefit; or

21 (b) The person takes possession of the collateral after having authenticated a
22 record acknowledging that the person will hold possession of collateral for the
23 secured party’s benefit.

24 (4) TIME OF PERFECTION BY POSSESSION; CONTINUATION OF PERFECTION. If
25 perfection of a security interest depends upon possession of the collateral by a

1 secured party, perfection occurs no earlier than the time the secured party takes
2 possession and continues only while the secured party retains possession.

3 (5) TIME OF PERFECTION BY DELIVERY; CONTINUATION OF PERFECTION. A security
4 interest in a certificated security in registered form is perfected by delivery when
5 delivery of the certificated security occurs under s. 408.301 and remains perfected
6 by delivery until the debtor obtains possession of the security certificate.

7 (6) ACKNOWLEDGMENT NOT REQUIRED. A person in possession of collateral is not
8 required to acknowledge that it holds possession for a secured party's benefit.

9 (7) EFFECTIVENESS OF ACKNOWLEDGMENT; NO DUTIES OR CONFIRMATION. If a person
10 acknowledges that it holds possession for the secured party's benefit:

11 (a) The acknowledgment is effective under sub. (3) or s. 408.301 (1), even if the
12 acknowledgment violates the rights of a debtor; and

13 (b) Unless the person otherwise agrees or law other than this chapter otherwise
14 provides, the person does not owe any duty to the secured party and is not required
15 to confirm the acknowledgment to another person.

16 (8) SECURED PARTY'S DELIVERY TO PERSON OTHER THAN DEBTOR. A secured party
17 having possession of collateral does not relinquish possession by delivering the
18 collateral to a person other than the debtor or a lessee of the collateral from the debtor
19 in the ordinary course of the debtor's business if the person was instructed before the
20 delivery or is instructed contemporaneously with the delivery:

21 (a) To hold possession of the collateral for the secured party's benefit; or

22 (b) To redeliver the collateral to the secured party.

23 (9) EFFECT OF DELIVERY UNDER SUB. (8); NO DUTIES OR CONFIRMATION. A secured
24 party does not relinquish possession, even if a delivery under sub. (8) violates the
25 rights of a debtor. A person to which collateral is delivered under sub. (8) does not

1 owe any duty to the secured party and is not required to confirm the delivery to
2 another person unless the person otherwise agrees or law other than this chapter
3 otherwise provides.

4 **409.314 Perfection by control.** (1) **PERFECTION BY CONTROL.** A security
5 interest in investment property, deposit accounts, letter-of-credit rights, or
6 electronic chattel paper may be perfected by control of the collateral under s. 409.104,
7 409.105, 409.106, or 409.107.

8 (2) **SPECIFIED COLLATERAL: TIME OF PERFECTION BY CONTROL; CONTINUATION OF**
9 **PERFECTION.** A security interest in deposit accounts, electronic chattel paper, or
10 letter-of-credit rights is perfected by control under s. 409.104, 409.105, or 409.107
11 when the secured party obtains control and remains perfected by control only while
12 the secured party retains control.

13 (3) **INVESTMENT PROPERTY: TIME OF PERFECTION BY CONTROL; CONTINUATION OF**
14 **PERFECTION.** A security interest in investment property is perfected by control under
15 s. 409.106 from the time the secured party obtains control and remains perfected by
16 control until:

17 (a) The secured party does not have control; and

18 (b) One of the following occurs:

19 1. If the collateral is a certificated security, the debtor has or acquires
20 possession of the security certificate;

21 2. If the collateral is an uncertificated security, the issuer has registered or
22 registers the debtor as the registered owner; or

23 3. If the collateral is a security entitlement, the debtor is or becomes the
24 entitlement holder.

1 **409.315 Secured party's rights on disposition of collateral and in**
2 **proceeds. (1) DISPOSITION OF COLLATERAL: CONTINUATION OF SECURITY INTEREST OR**
3 **AGRICULTURAL LIEN; PROCEEDS. Except as otherwise provided in this chapter and in s.**
4 **402.403 (2):**

5 (a) A security interest or agricultural lien continues in collateral
6 notwithstanding sale, lease, license, exchange, or other disposition thereof unless
7 the secured party authorized the disposition free of the security interest or
8 agricultural lien; and

9 (b) A security interest attaches to any identifiable proceeds of collateral.

10 **(2) WHEN COMMINGLED PROCEEDS IDENTIFIABLE. Proceeds that are commingled**
11 **with other property are identifiable proceeds:**

12 (a) If the proceeds are goods, to the extent provided by s. 409.336; and

13 (b) If the proceeds are not goods, to the extent that the secured party identifies
14 the proceeds by a method of tracing, including application of equitable principles,
15 that is permitted under law other than this chapter with respect to commingled
16 property of the type involved.

17 **(3) PERFECTION OF SECURITY INTEREST IN PROCEEDS. A security interest in**
18 **proceeds is a perfected security interest if the security interest in the original**
19 **collateral was perfected.**

20 **(4) CONTINUATION OF PERFECTION. A perfected security interest in proceeds**
21 **becomes unperfected on the 21st day after the security interest attaches to the**
22 **proceeds unless:**

23 (a) The following conditions are satisfied:

24 1. A filed financing statement covers the original collateral;

1 2. The proceeds are collateral in which a security interest may be perfected by
2 filing in the office in which the financing statement has been filed; and

3 3. The proceeds are not acquired with cash proceeds;

4 (b) The proceeds are identifiable cash proceeds; or

5 (c) The security interest in the proceeds is perfected other than under sub. (3)
6 when the security interest attaches to the proceeds or within 20 days thereafter.

7 (5) WHEN PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES UNPERFECTED. If
8 a filed financing statement covers the original collateral, a security interest in
9 proceeds which remains perfected under sub. (4) (a) becomes unperfected at the later
10 of:

11 (a) When the effectiveness of the filed financing statement lapses under s.
12 409.515 or is terminated under s. 409.513; or

13 (b) The 21st day after the security interest attaches to the proceeds.

14 **409.316 Continued perfection of security interest following change in**
15 **governing law. (1) GENERAL RULE: EFFECT ON PERFECTION OF CHANGE IN GOVERNING**
16 **LAW. A security interest perfected pursuant to the law of the jurisdiction designated**
17 **in s. 409.301 (1) or 409.305 (3) remains perfected until the earliest of:**

18 (a) The time perfection would have ceased under the law of that jurisdiction;

19 (b) The expiration of 4 months after a change of the debtor's location to another
20 jurisdiction; or

21 (c) The expiration of one year after a transfer of collateral to a person that
22 thereby becomes a debtor and is located in another jurisdiction.

23 (2) SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF NEW
24 JURISDICTION. If a security interest described in sub. (1) becomes perfected under the
25 law of the other jurisdiction before the earliest time or event described in that

1 subsection, it remains perfected thereafter. If the security interest does not become
2 perfected under the law of the other jurisdiction before the earliest time or event, it
3 becomes unperfected and is deemed never to have been perfected as against a
4 purchaser of the collateral for value.

5 **(3) POSSESSORY SECURITY INTEREST IN COLLATERAL MOVED TO NEW JURISDICTION.**

6 A possessory security interest in collateral, other than goods covered by a certificate
7 of title and as-extracted collateral consisting of goods, remains continuously
8 perfected if:

9 (a) The collateral is located in one jurisdiction and subject to a security interest
10 perfected under the law of that jurisdiction;

11 (b) Thereafter the collateral is brought into another jurisdiction; and

12 (c) Upon entry into the other jurisdiction, the security interest is perfected
13 under the law of the other jurisdiction.

14 **(4) GOODS COVERED BY CERTIFICATE OF TITLE FROM THIS STATE.** Except as otherwise
15 provided in sub. (5), a security interest in goods covered by a certificate of title which
16 is perfected by any method under the law of another jurisdiction when the goods
17 become covered by a certificate of title from this state remains perfected until the
18 security interest would have become unperfected under the law of the other
19 jurisdiction had the goods not become so covered.

20 **(5) WHEN SUB. (4) SECURITY INTEREST BECOMES UNPERFECTED AGAINST PURCHASERS.**

21 A security interest described in sub. (4) becomes unperfected as against a purchaser
22 of the goods for value and is deemed never to have been perfected as against a
23 purchaser of the goods for value if the applicable requirements for perfection under
24 s. 409.311 (2) or 409.313 are not satisfied before the earlier of:

1 (a) The time the security interest would have become unperfected under the law
2 of the other jurisdiction had the goods not become covered by a certificate of title from
3 this state; or

4 (b) The expiration of 4 months after the goods had become so covered.

5 (6) CHANGE IN JURISDICTION OF BANK, ISSUER, NOMINATED PERSON, SECURITIES
6 INTERMEDIARY, OR COMMODITY INTERMEDIARY. A security interest in deposit accounts,
7 letter-of-credit rights, or investment property which is perfected under the law of
8 the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction,
9 the securities intermediary's jurisdiction, or the commodity intermediary's
10 jurisdiction, as applicable, remains perfected until the earlier of:

11 (a) The time the security interest would have become unperfected under the
12 law of that jurisdiction; or

13 (b) The expiration of 4 months after a change of the applicable jurisdiction to
14 another jurisdiction.

15 (7) SUB. (6) SECURITY INTEREST PERFECTED OR UNPERFECTED UNDER LAW OF NEW
16 JURISDICTION. If a security interest described in sub. (6) becomes perfected under the
17 law of the other jurisdiction before the earlier of the time or the end of the period
18 described in that subsection, it remains perfected thereafter. If the security interest
19 does not become perfected under the law of the other jurisdiction before the earlier
20 of that time or the end of that period, it becomes unperfected and is deemed never
21 to have been perfected as against a purchaser of the collateral for value.

22 **409.317 Interests that take priority over or take free of security**
23 **interest or agricultural lien. (1) CONFLICTING SECURITY INTERESTS AND RIGHTS OF**
24 **LIEN CREDITORS.** A security interest or agricultural lien is subordinate to the rights
25 of:

1 (a) A person entitled to priority under s. 409.322; and

2 (b) Except as otherwise provided in sub. (5), a person that becomes a lien
3 creditor before the earlier of the time:

4 1. The security interest or agricultural lien is perfected; or

5 2. One of the conditions specified in s. 409.203 (2) (c) is met and a financing
6 statement covering the collateral is filed.

7 (2) BUYERS THAT RECEIVE DELIVERY. Except as otherwise provided in sub. (5), a
8 buyer, other than a secured party, of tangible chattel paper, documents, goods,
9 instruments, or a security certificate takes free of a security interest or agricultural
10 lien if the buyer gives value and receives delivery of the collateral without knowledge
11 of the security interest or agricultural lien and before it is perfected.

12 (3) LESSEES THAT RECEIVE DELIVERY. Except as otherwise provided in sub. (5),
13 a lessee of goods takes free of a security interest or agricultural lien if the lessee gives
14 value and receives delivery of the collateral without knowledge of the security
15 interest or agricultural lien and before it is perfected.

16 (4) LICENSEES AND BUYERS OF CERTAIN COLLATERAL. A licensee of a general
17 intangible or a buyer, other than a secured party, of accounts, electronic chattel
18 paper, general intangibles, or investment property other than a certificated security
19 takes free of a security interest if the licensee or buyer gives value without knowledge
20 of the security interest and before it is perfected.

21 (5) PURCHASE-MONEY SECURITY INTEREST. Except as otherwise provided in ss.
22 409.320 and 409.321, if a person files a financing statement with respect to a
23 purchase-money security interest before or within 20 days after the debtor receives
24 delivery of the collateral, the security interest takes priority over the rights of a

1 buyer, lessee, or lien creditor which arise between the time the security interest
2 attaches and the time of filing.

3 **409.318 No interest retained in right to payment that is sold; rights and**
4 **title of seller of account or chattel paper with respect to creditors and**
5 **purchasers. (1) SELLER RETAINS NO INTEREST.** A debtor that has sold an account,
6 chattel paper, payment intangible, or promissory note does not retain a legal or
7 equitable interest in the collateral sold.

8 **(2) DEEMED RIGHTS OF DEBTOR IF BUYER'S SECURITY INTEREST UNPERFECTED.** For
9 purposes of determining the rights of creditors of, and purchasers for value of an
10 account or chattel paper from, a debtor that has sold an account or chattel paper,
11 while the buyer's security interest is unperfected, the debtor is deemed to have rights
12 and title to the account or chattel paper identical to those the debtor sold.

13 **409.319 Rights and title of consignee with respect to creditors and**
14 **purchasers. (1) CONSIGNEE HAS CONSIGNOR'S RIGHTS.** Except as otherwise provided
15 in sub. (2), for purposes of determining the rights of creditors of, and purchasers for
16 value of goods from, a consignee, while the goods are in the possession of the
17 consignee, the consignee is deemed to have rights and title to the goods identical to
18 those the consignor had or had power to transfer.

19 **(2) APPLICABILITY OF OTHER LAW.** For purposes of determining the rights of a
20 creditor of a consignee, law other than this chapter determines the rights and title
21 of a consignee while goods are in the consignee's possession if, under this subchapter,
22 a perfected security interest held by the consignor would have priority over the rights
23 of the creditor.

24 **409.320 Buyer of goods. (1) BUYER IN ORDINARY COURSE OF BUSINESS.** Except
25 as otherwise provided in sub. (5), a buyer in ordinary course of business, other than

1 a person buying farm products from a person engaged in farming operations, takes
2 free of a security interest created by the buyer's seller, even if the security interest
3 is perfected and the buyer knows of its existence.

4 (2) BUYER OF CONSUMER GOODS. Except as otherwise provided in sub. (5), a buyer
5 of goods from a person who used or bought the goods for use primarily for personal,
6 family, or household purposes takes free of a security interest, even if perfected, if the
7 buyer buys:

8 (a) Without knowledge of the security interest;

9 (b) For value;

10 (c) Primarily for the buyer's personal, family, or household purposes; and

11 (d) Before the filing of a financing statement covering the goods.

12 (3) EFFECTIVENESS OF FILING FOR SUB. (2). To the extent that it affects the priority
13 of a security interest over a buyer of goods under sub. (2), the period of effectiveness
14 of a filing made in the jurisdiction in which the seller is located is governed by s.
15 409.316 (1) and (2).

16 (4) BUYER IN ORDINARY COURSE OF BUSINESS AT WELLHEAD OR MINEHEAD. A buyer
17 in ordinary course of business buying oil, gas, or other minerals at the wellhead or
18 minehead or after extraction takes free of an interest arising out of an encumbrance.

19 (5) POSSESSORY SECURITY INTEREST NOT AFFECTED. Subsections (1) and (2) do not
20 affect a security interest in goods in the possession of the secured party under s.
21 409.313.

22 **409.321 Licensee of general intangible and lessee of goods in ordinary**
23 **course of business. (1) LICENSEE IN ORDINARY COURSE OF BUSINESS.** In this section,
24 "licensee in ordinary course of business" means a person that becomes a licensee of
25 a general intangible in good faith, without knowledge that the license violates the

1 rights of another person in the general intangible, and in the ordinary course from
2 a person in the business of licensing general intangibles of that kind. A person
3 becomes a licensee in the ordinary course if the license to the person comports with
4 the usual or customary practices in the kind of business in which the licensor is
5 engaged or with the licensor's own usual or customary practices.

6 (2) RIGHTS OF LICENSEE IN ORDINARY COURSE OF BUSINESS. A licensee in ordinary
7 course of business takes its rights under a nonexclusive license free of a security
8 interest in the general intangible created by the licensor, even if the security interest
9 is perfected and the licensee knows of its existence.

10 (3) RIGHTS OF LESSEE IN ORDINARY COURSE OF BUSINESS. A lessee in ordinary
11 course of business takes its leasehold interest free of a security interest in the goods
12 created by the lessor, even if the security interest is perfected and the lessee knows
13 of its existence.

14 **409.322 Priorities among conflicting security interests in and**
15 **agricultural liens on same collateral. (1) GENERAL PRIORITY RULES.** Except as
16 otherwise provided in this section, priority among conflicting security interests and
17 agricultural liens in the same collateral is determined according to the following
18 rules:

19 (a) Conflicting perfected security interests and agricultural liens rank
20 according to priority in time of filing or perfection. Priority dates from the earlier of
21 the time a filing covering the collateral is first made or the security interest or
22 agricultural lien is first perfected, if there is no period thereafter when there is
23 neither filing nor perfection.

24 (b) A perfected security interest or agricultural lien has priority over a
25 conflicting unperfected security interest or agricultural lien.

1 (c) The first security interest or agricultural lien to attach or become effective
2 has priority if conflicting security interests and agricultural liens are unperfected.

3 (2) TIME OF PERFECTION: PROCEEDS AND SUPPORTING OBLIGATIONS. For the
4 purposes of sub. (1) (a):

5 (a) The time of filing or perfection as to a security interest in collateral is also
6 the time of filing or perfection as to a security interest in proceeds; and

7 (b) The time of filing or perfection as to a security interest in collateral
8 supported by a supporting obligation is also the time of filing or perfection as to a
9 security interest in the supporting obligation.

10 (3) SPECIAL PRIORITY RULES: PROCEEDS AND SUPPORTING OBLIGATIONS. Except as
11 otherwise provided in sub. (6), a security interest in collateral which qualifies for
12 priority over a conflicting security interest under s. 409.327, 409.328, 409.329,
13 409.330, or 409.331 also has priority over a conflicting security interest in:

14 (a) Any supporting obligation for the collateral; and

15 (b) Proceeds of the collateral if:

16 1. The security interest in proceeds is perfected;

17 2. The proceeds are cash proceeds or of the same type as the collateral; and

18 3. In the case of proceeds that are proceeds of proceeds, all intervening proceeds
19 are cash proceeds, proceeds of the same type as the collateral, or an account relating
20 to the collateral.

21 (4) FIRST-TO-FILE PRIORITY RULE FOR CERTAIN COLLATERAL. Subject to sub. (5) and
22 except as otherwise provided in sub. (6), if a security interest in chattel paper, deposit
23 accounts, negotiable documents, instruments, investment property, or
24 letter-of-credit rights is perfected by a method other than filing, conflicting

1 perfected security interests in proceeds of the collateral rank according to priority in
2 time of filing.

3 (5) APPLICABILITY OF SUB. (4). Subsection (4) applies only if the proceeds of the
4 collateral are not cash proceeds, chattel paper, negotiable documents, instruments,
5 investment property, or letter-of-credit rights.

6 (6) LIMITATIONS ON SUBS. (1) TO (5). Subsections (1) to (5) are subject to:

7 (a) Subsection (7) and the other provisions of this subchapter;

8 (b) Section 404.210 with respect to a security interest of a collecting bank;

9 (c) Section 405.118 with respect to a security interest of an issuer or nominated
10 person; and

11 (d) Section 409.110 with respect to a security interest arising under ch. 402 or
12 411.

13 (7) PRIORITY UNDER AGRICULTURAL LIEN STATUTE. A perfected agricultural lien on
14 collateral has priority over a conflicting security interest in or agricultural lien on
15 the same collateral if the statute creating the agricultural lien so provides.

16 **409.323 Future advances. (1) WHEN PRIORITY BASED ON TIME OF ADVANCE.**

17 Except as otherwise provided in sub. (3), for purposes of determining the priority of
18 a perfected security interest under s. 409.322 (1) (a), perfection of the security
19 interest dates from the time an advance is made to the extent that the security
20 interest secures an advance that:

21 (a) Is made while the security interest is perfected only:

22 1. Under s. 409.309 when it attaches; or

23 2. Temporarily under s. 409.312 (5), (6), or (7); and

1 (b) Is not made pursuant to a commitment entered into before or while the
2 security interest is perfected by a method other than under s. 409.309 or 409.312 (5),
3 (6), or (7).

4 (2) LIEN CREDITOR. Except as otherwise provided in sub. (3), a security interest
5 is subordinate to the rights of a person that becomes a lien creditor to the extent that
6 the security interest secures an advance made more than 45 days after the person
7 becomes a lien creditor unless the advance is made:

8 (a) Without knowledge of the lien; or

9 (b) Pursuant to a commitment entered into without knowledge of the lien.

10 (3) BUYER OF RECEIVABLES. Subsections (1) and (2) do not apply to a security
11 interest held by a secured party that is a buyer of accounts, chattel paper, payment
12 intangibles, or promissory notes or a consignor.

13 (4) BUYER OF GOODS. Except as otherwise provided in sub. (5), a buyer of goods
14 other than a buyer in ordinary course of business takes free of a security interest to
15 the extent that it secures advances made after the earlier of:

16 (a) The time the secured party acquires knowledge of the buyer's purchase; or

17 (b) Forty-five days after the purchase.

18 (5) ADVANCES MADE PURSUANT TO COMMITMENT: PRIORITY OF BUYER OF GOODS.
19 Subsection (4) does not apply if the advance is made pursuant to a commitment
20 entered into without knowledge of the buyer's purchase and before the expiration of
21 the 45-day period.

22 (6) LESSEE OF GOODS. Except as otherwise provided in sub. (7), a lessee of goods,
23 other than a lessee in ordinary course of business, takes the leasehold interest free
24 of a security interest to the extent that it secures advances made after the earlier of:

25 (a) The time the secured party acquires knowledge of the lease; or

1 (b) Forty–five days after the lease contract becomes enforceable.

2 (7) ADVANCES MADE PURSUANT TO COMMITMENT: PRIORITY OF LESSEE OF GOODS.

3 Subsection (6) does not apply if the advance is made pursuant to a commitment
4 entered into without knowledge of the lease and before the expiration of the 45–day
5 period.

6 **409.324 Priority of purchase–money security interests. (1) GENERAL**
7 **RULE: PURCHASE–MONEY PRIORITY.** Except as otherwise provided in sub. (7), a perfected
8 purchase–money security interest in goods other than inventory or livestock has
9 priority over a conflicting security interest in the same goods, and, except as
10 otherwise provided in s. 409.327, a perfected security interest in its identifiable
11 proceeds also has priority, if the purchase–money security interest is perfected when
12 the debtor receives possession of the collateral or within 20 days thereafter.

13 (2) INVENTORY PURCHASE–MONEY PRIORITY. Subject to sub. (3) and except as
14 otherwise provided in sub. (7), a perfected purchase–money security interest in
15 inventory has priority over a conflicting security interest in the same inventory, has
16 priority over a conflicting security interest in chattel paper or an instrument
17 constituting proceeds of the inventory and in proceeds of the chattel paper, if so
18 provided in s. 409.330, and, except as otherwise provided in s. 409.327, also has
19 priority in identifiable cash proceeds of the inventory to the extent that the
20 identifiable cash proceeds are received on or before the delivery of the inventory to
21 a buyer, if:

22 (a) The purchase–money security interest is perfected when the debtor receives
23 possession of the inventory;

24 (b) The purchase–money secured party sends an authenticated notification to
25 the holder of the conflicting security interest;

1 (c) The holder of the conflicting security interest receives the notification
2 within 5 years before the debtor receives possession of the inventory; and

3 (d) The notification states that the person sending the notification has or
4 expects to acquire a purchase–money security interest in inventory of the debtor and
5 describes the inventory.

6 (3) HOLDERS OF CONFLICTING INVENTORY SECURITY INTERESTS TO BE NOTIFIED.
7 Subsection (2) (b) to (d) applies only if the holder of the conflicting security interest
8 had filed a financing statement covering the same types of inventory:

9 (a) If the purchase–money security interest is perfected by filing, before the
10 date of the filing; or

11 (b) If the purchase–money security interest is temporarily perfected without
12 filing or possession under s. 409.312 (6), before the beginning of the 20–day period
13 thereunder.

14 (4) LIVESTOCK PURCHASE–MONEY PRIORITY. Subject to sub. (5) and except as
15 otherwise provided in sub. (7), a perfected purchase–money security interest in
16 livestock that are farm products has priority over a conflicting security interest in
17 the same livestock, and, except as otherwise provided in s. 409.327, a perfected
18 security interest in their identifiable proceeds and identifiable products in their
19 unmanufactured states also has priority, if:

20 (a) The purchase–money security interest is perfected when the debtor receives
21 possession of the livestock;

22 (b) The purchase–money secured party sends an authenticated notification to
23 the holder of the conflicting security interest;

24 (c) The holder of the conflicting security interest receives the notification
25 within 6 months before the debtor receives possession of the livestock; and

1 (d) The notification states that the person sending the notification has or
2 expects to acquire a purchase–money security interest in livestock of the debtor and
3 describes the livestock.

4 **(5) HOLDERS OF CONFLICTING LIVESTOCK SECURITY INTERESTS TO BE NOTIFIED.**
5 Subsection (4) (b) to (d) applies only if the holder of the conflicting security interest
6 had filed a financing statement covering the same types of livestock:

7 (a) If the purchase–money security interest is perfected by filing, before the
8 date of the filing; or

9 (b) If the purchase–money security interest is temporarily perfected without
10 filing or possession under s. 409.312 (6), before the beginning of the 20–day period
11 thereunder.

12 **(6) SOFTWARE PURCHASE–MONEY PRIORITY.** Except as otherwise provided in sub.
13 (7), a perfected purchase–money security interest in software has priority over a
14 conflicting security interest in the same collateral, and, except as otherwise provided
15 in s. 409.327, a perfected security interest in its identifiable proceeds also has
16 priority, to the extent that the purchase–money security interest in the goods in
17 which the software was acquired for use has priority in the goods and proceeds of the
18 goods under this section.

19 **(7) CONFLICTING PURCHASE–MONEY SECURITY INTERESTS.** If more than one security
20 interest qualifies for priority in the same collateral under sub. (1), (2), (4), or (6):

21 (a) A security interest securing an obligation incurred as all or part of the price
22 of the collateral has priority over a security interest securing an obligation incurred
23 for value given to enable the debtor to acquire rights in or the use of collateral; and

24 (b) In all other cases, s. 409.322 (1) applies to the qualifying security interests.

1 **409.3245 Priority of production–money security interests and**
2 **agricultural liens. (1)** Except as otherwise provided in subs. (3), (4), and (5), if the
3 requirements of sub. (2) are satisfied, a perfected production–money security
4 interest in production–money crops has priority over a conflicting security interest
5 in the same crops to the extent of the production–money obligation secured by the
6 production–money security interest and, except as otherwise provided in s. 409.327,
7 also has priority in their identifiable proceeds.

8 **(2)** A production–money security interest has priority under sub. (1) if:

9 (a) The production–money security interest is perfected by filing when the
10 production–money secured party first gives new value to enable the debtor to
11 produce the crops;

12 (b) The production–money secured party sends an authenticated notification
13 by certified mail to the holder of the conflicting security interest not less than 20 or
14 more than 30 days before the production–money secured party first gives new value
15 to enable the debtor to produce the crops if the holder had filed a financing statement
16 covering the crops before the date of the filing made by the production–money
17 secured party; and

18 (c) The notification states that the production–money secured party has or
19 expects to acquire a production–money security interest in the debtor’s crops and
20 provides a description of the crops, the name and mailing address of the
21 production–money secured party giving the notice, the name and mailing address of
22 the debtor, the name and mailing address of the lender to whom notice is being sent,
23 the date on which the transaction would take place, and the maximum amount of
24 new value to be provided.

1 (3) Except as otherwise provided in sub. (4) or (5), if more than one security
2 interest qualifies for priority in the same collateral under sub. (1), the security
3 interests rank according to priority in time of filing under s. 409.322 (1).

4 (4) To the extent that a person holding a perfected security interest in
5 production–money crops that are the subject of a production–money security interest
6 gives new value to enable the debtor to produce the production–money crops and the
7 value is in fact used for the production of the production–money crops, the security
8 interests rank according to priority in time of filing under s. 409.322 (1).

9 (5) To the extent that a person holds both an agricultural lien and a
10 production–money security interest in the same collateral securing the same
11 obligations, the rules of priority applicable to agricultural liens govern priority.

12 **409.325 Priority of security interests in transferred collateral. (1)**
13 SUBORDINATION OF SECURITY INTEREST IN TRANSFERRED COLLATERAL. Except as
14 otherwise provided in sub. (2), a security interest created by a debtor is subordinate
15 to a security interest in the same collateral created by another person if:

16 (a) The debtor acquired the collateral subject to the security interest created
17 by the other person;

18 (b) The security interest created by the other person was perfected when the
19 debtor acquired the collateral; and

20 (c) There is no period thereafter when the security interest is unperfected.

21 (2) LIMITATION OF SUB. (1) SUBORDINATION. Subsection (1) subordinates a security
22 interest only if the security interest:

23 (a) Otherwise would have priority solely under s. 409.322 (1) or 409.324; or

24 (b) Arose solely under s. 402.711 (3) or 411.508 (5).

1 **409.326 Priority of security interests created by new debtor. (1)**

2 SUBORDINATION OF SECURITY INTEREST CREATED BY NEW DEBTOR. Subject to sub. (2), a
3 security interest created by a new debtor which is perfected by a filed financing
4 statement that is effective solely under s. 409.508 in collateral in which a new debtor
5 has or acquires rights is subordinate to a security interest in the same collateral
6 which is perfected other than by a filed financing statement that is effective solely
7 under s. 409.508.

8 **(2) PRIORITY UNDER OTHER PROVISIONS; MULTIPLE ORIGINAL DEBTORS.** The other
9 provisions of this subchapter determine the priority among conflicting security
10 interests in the same collateral perfected by filed financing statements that are
11 effective solely under s. 409.508. However, if the security agreements to which a new
12 debtor became bound as debtor were not entered into by the same original debtor, the
13 conflicting security interests rank according to priority in time of the new debtor's
14 having become bound.

15 **409.327 Priority of security interests in deposit account.** The following
16 rules govern priority among conflicting security interests in the same deposit
17 account:

18 **(1) CONTROL BY SECURED PARTY.** A security interest held by a secured party
19 having control of the deposit account under s. 409.104 has priority over a conflicting
20 security interest held by a secured party that does not have control.

21 **(2) PRIORITY IN TIME OF CONTROL.** Except as otherwise provided in subs. (3) and
22 (4), security interests perfected by control under s. 409.314 rank according to priority
23 in time of obtaining control.

24 **(3) PRIORITY OF BANK REGARDING DEPOSIT ACCOUNT.** Except as otherwise provided
25 in sub. (4), a security interest held by the bank with which the deposit account is

1 maintained has priority over a conflicting security interest held by another secured
2 party.

3 (4) PRIORITY OVER BANK REGARDING DEPOSIT ACCOUNT. A security interest
4 perfected by control under s. 409.104 (1) (c) has priority over a security interest held
5 by the bank with which the deposit account is maintained.

6 **409.328 Priority of security interests in investment property.** The
7 following rules govern priority among conflicting security interests in the same
8 investment property:

9 (1) CONTROL BY SECURED PARTY. A security interest held by a secured party
10 having control of investment property under s. 409.106 has priority over a security
11 interest held by a secured party that does not have control of the investment
12 property.

13 (2) PRIORITY IN TIME OF CONTROL. Except as otherwise provided in subs. (3) and
14 (4), conflicting security interests held by secured parties each of which has control
15 under s. 409.106 rank according to priority in time of:

16 (a) If the collateral is a security, obtaining control;

17 (b) If the collateral is a security entitlement carried in a securities account and:

18 1. If the secured party obtained control under s. 408.106 (4) (a), the secured
19 party's becoming the person for which the securities account is maintained;

20 2. If the secured party obtained control under s. 408.106 (4) (b), the securities
21 intermediary's agreement to comply with the secured party's entitlement orders with
22 respect to security entitlements carried or to be carried in the securities account; or

23 3. If the secured party obtained control through another person under s.
24 408.106 (4) (c), the time on which priority would be based under this subsection if the
25 other person were the secured party; or

1 (c) If the collateral is a commodity contract carried with a commodity
2 intermediary, the satisfaction of the requirement for control specified in s. 409.106
3 (2) (b) with respect to commodity contracts carried or to be carried with the
4 commodity intermediary.

5 (3) PRIORITY OF SECURITIES INTERMEDIARY REGARDING ENTITLEMENT OR ACCOUNT.
6 A security interest held by a securities intermediary in a security entitlement or a
7 securities account maintained with the securities intermediary has priority over a
8 conflicting security interest held by another secured party.

9 (4) PRIORITY OF SECURITIES INTERMEDIARY REGARDING CONTRACT OR ACCOUNT. A
10 security interest held by a commodity intermediary in a commodity contract or a
11 commodity account maintained with the commodity intermediary has priority over
12 a conflicting security interest held by another secured party.

13 (5) PRIORITY IN CERTIFICATED SECURITIES. A security interest in a certificated
14 security in registered form which is perfected by taking delivery under s. 409.313 (1)
15 and not by control under s. 409.314 has priority over a conflicting security interest
16 perfected by a method other than control.

17 (6) PRIORITY OF CONFLICTING SECURITY INTERESTS; INTERMEDIARIES. Conflicting
18 security interests created by a broker, securities intermediary, or commodity
19 intermediary which are perfected without control under s. 409.106 rank equally.

20 (7) PRIORITY OF CONFLICTING SECURITY INTERESTS; OTHERS. In all other cases,
21 priority among conflicting security interests in investment property is governed by
22 ss. 409.322 and 409.323.

23 **409.329 Priority of security interests in letter-of-credit right.** The
24 following rules govern priority among conflicting security interests in the same
25 letter-of-credit right:

1 (1) CONTROL BY SECURED PARTY. A security interest held by a secured party
2 having control of the letter-of-credit right under s. 409.107 has priority to the extent
3 of its control over a conflicting security interest held by a secured party that does not
4 have control.

5 (2) PRIORITY IN TIME OF CONTROL. Security interests perfected by control under
6 s. 409.314 rank according to priority in time of obtaining control.

7 **409.330 Priority of purchaser of chattel paper or instrument. (1)**

8 PURCHASER'S PRIORITY: SECURITY INTEREST CLAIMED MERELY AS PROCEEDS. A purchaser
9 of chattel paper has priority over a security interest in the chattel paper which is
10 claimed merely as proceeds of inventory subject to a security interest if:

11 (a) In good faith and in the ordinary course of the purchaser's business, the
12 purchaser gives new value and takes possession of the chattel paper or obtains
13 control of the chattel paper under s. 409.105; and

14 (b) The chattel paper does not indicate that it has been assigned to an identified
15 assignee other than the purchaser.

16 (2) PURCHASER'S PRIORITY: OTHER SECURITY INTERESTS. A purchaser of chattel
17 paper has priority over a security interest in the chattel paper which is claimed other
18 than merely as proceeds of inventory subject to a security interest if the purchaser
19 gives new value and takes possession of the chattel paper or obtains control of the
20 chattel paper under s. 409.105 in good faith, in the ordinary course of the purchaser's
21 business, and without knowledge that the purchase violates the rights of the secured
22 party.

23 (3) CHATTEL PAPER PURCHASER'S PRIORITY IN PROCEEDS. Except as otherwise
24 provided in s. 409.327, a purchaser having priority in chattel paper under sub. (1)
25 or (2) also has priority in proceeds of the chattel paper to the extent that:

1 (a) Section 409.322 provides for priority in the proceeds; or

2 (b) The proceeds consist of the specific goods covered by the chattel paper or
3 cash proceeds of the specific goods, even if the purchaser's security interest in the
4 proceeds is unperfected.

5 (4) INSTRUMENT PURCHASER'S PRIORITY. Except as otherwise provided in s.
6 409.331 (1), a purchaser of an instrument has priority over a security interest in the
7 instrument perfected by a method other than possession if the purchaser gives value
8 and takes possession of the instrument in good faith and without knowledge that the
9 purchase violates the rights of the secured party.

10 (5) HOLDER OF PURCHASE-MONEY SECURITY INTEREST GIVES NEW VALUE. For
11 purposes of subs. (1) and (2), the holder of a purchase-money security interest in
12 inventory gives new value for chattel paper constituting proceeds of the inventory.

13 (6) INDICATION OF ASSIGNMENT GIVES KNOWLEDGE. For purposes of subs. (2) and
14 (4), if chattel paper or an instrument indicates that it has been assigned to an
15 identified secured party other than the purchaser, a purchaser of the chattel paper
16 or instrument has knowledge that the purchase violates the rights of the secured
17 party.

18 **409.331 Priority of rights of purchasers of instruments, documents,**
19 **and securities under other chapters; priority of interests in financial assets**
20 **and security entitlements under ch. 408. (1) RIGHTS UNDER CHS. 403, 407, AND 408**
21 **NOT LIMITED.** This chapter does not limit the rights of a holder in due course of a
22 negotiable instrument, a holder to which a negotiable document of title has been duly
23 negotiated, or a protected purchaser of a security. These holders or purchasers take
24 priority over an earlier security interest, even if perfected, to the extent provided in
25 chs. 403, 407, and 408.