

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3731-07
Bill No.: SS for SCS for HB 1712 with SA nos. 1, 2, and 3
Subject: Secretary of State: Article 9, Uniform Commercial Code
Type: Original
Date: May 8, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Secretary of State** stated that this proposal would change the current statutes to be more like the Uniform Commercial Code Model Act. Officials assume no fiscal impact to their office.

Officials of the **Department of Revenue** and **Department of Insurance** assume no fiscal impact.

Officials of the **Department of Labor and Industrial Relations** and **Department of Health** assume no fiscal impact.

Office of State Courts Administrator officials assume no fiscal impact to the State's Courts.

Oversight assumes the cost of incarceration provided for in Section 407.433, would be less than \$100,000 annually due to the narrow scope of the crime.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
Cost to Department of Corrections Incarceration/probation (section 407.433)	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act modifies matters concerning the governance of business organizations and matters regulated by the Secretary of State, including the following:

DISSOLUTION OF DEADLOCKED LIMITED LIABILITY COMPANY (Section 347.143) - This act provides for judicial dissolution of a limited liability company in the event the members are deadlocked.

PLEADING AND BURDEN OF PROOF (Section 351.055)- This act provides that on a motion to dismiss, a person challenging an exculpation provision must plead facts with particularity and on a motion for summary judgement has the burden of proving the provision is inapplicable.

STOCK OPTIONS (Section 351.182) - This act provides that under certain circumstances, the board of directors may delegate to officers the right to grant stock options.

DISPOSITION OF ASSETS (Section 351.400) - This act provides for disposition of corporate assets on the terms and conditions determined by the board of directors, without shareholder approval.

DEMAND FOR VALUE OF SHARES (Section 351.455) - This act provides that a shareholder with voting shares who objects to a merger or consolidation has the right to appraisal if the objection is filed prior to the meeting of shareholders.

DEFINITIONS (Section 400.9-102) - This act revises the definition of "chattel paper", deletes the definition of "notice" and limits the applicability of the definitions for "original debtor" and "proceeds."

SCOPE (Section 400.9-109) - This act revises the applicability of UCC, Article 9 to areas covered by other statute statutes.

LIENS ON MANUFACTURED HOMES (Section 400.9-303) - The act modifies the applicability of UCC, Article 9 to the priority and perfection of certain liens on manufactured homes depending on the date that the lien was perfected.

PRIORITY OF CERTAIN LIENS (Section 400.9-317) - This act revises the priority of certain security interests and agricultural liens.

FUTURE ADVANCES (Section 400.9-323) - This act revises the priority of lien creditor where the security interest secures an advance.

DESCRIPTION (continued)

ASSIGNMENT OR TRANSFER OF SECURITY INTEREST (Sections 400.9-406, 400.9-407,

400.9-408, 400.9-409) - This act provides that certain rules regarding security interests shall also apply if the interests are assigned or transferred.

INDICATION OF COLLATERAL (Section 400.9-504) - Technical change to ensure that a financing statement will be sufficient to indicate collateral it covers if it meets certain requirements.

FILING STATEMENTS (Section 400.9-509) - This act provides that a debtor authorizes the filing of a finance statement by the acquisition of certain interests and liens.

TERMINATION STATEMENTS (Section 400.9-513) - This act revises the process for the filing of certain termination statements.

FILING FEES (Section 400.9-525) - This act provides that the Department of Revenue, not the Secretary of State, shall administer the Uniform Commercial Code transition fee trust fund, that a portion of filing fees will be deposited into the UCC transition fee trust fund, revises the duties of Secretary of State with regard to the fund, and provides that the moneys in the fund shall be deemed non-state funds.

WAIVER OF DEFAULT RULES (Section 400.9-602) - This act revises the rules which may not be waived by certain debtors. The act also makes a technical change to section 400.9-608 by making reference to Section 400.9-607.

NOTIFICATION BEFORE DISPOSITION OF COLLATERAL - A technical change is made regarding parties to be sent notification (Section 400.9-611) and to the contents of the notification. (Section 400.9-613).

PROCEEDS OF DISPOSITION (Section 400.9-615). An intersectional reference is added.

REMEDIES (Section 400.9-625) - The act provides that loss caused by a failure to comply with Article 9, not just with the person's failure to comply with a request for accounting, may include loss resulting from an inability to obtain, or the increased cost of, alternative financing.

FORMER ARTICLE 9 RECORDS (Section 400.9-710) - This act limits the records to be accepted by a local filing office and extends the date for each local filing office to maintain former Article 9 records.

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Insurance
Department of Labor and Industrial Relations
Office of Secretary of State
Department of Revenue
Department of Health



Mickey Wilson, CPA
Acting Director
May 8, 2002