

STATE OF MINNESOTA

OFFICE OF THE SECRETARY OF STATE

In the Matter of the Proposed
Rules regarding Uniform
Commercial Code Forms

STATEMENT OF NEED
AND REASONABLENESS

Introduction

The Office of the Secretary of State accepts and maintains filings made according to the Uniform Commercial Code, *Minnesota Statutes* Chapter 336. Specifically, Article 9 of the Uniform Commercial Code establishes a procedure for placing information about lending transactions in a public depository and sets rights to the collateral among competing interests according to the date and time of the filing of the information. Forms are used to provide the information required by statute and the use of the forms prescribed by the Office of the Secretary of State entitles the user to pay a lower filing fee. The purpose of these rules is to make corrections to two (2) of the types of transactions made in the Uniform Commercial Code system. The two transactions are the UCC-3 and UCC-12 forms which change information already in the system and request tax lien information from the system respectively. As required by *Minnesota Statutes* Section 14.22, this Statement of Need and Reasonableness justifies the need for and reasonableness of the proposed rules.

Statutory Authority

The statutory authority for the adoption of forms is *Minnesota Statutes* Sections 336.9-403(5) and 14.06.

Section by Section Justification

General

Part 8260.0800, subpart 3

The multipart UCC-3 form has been changed to add a statutorily mandated statement to the continuation portion of the form. The statement appears in Item 4 of the form and is the sentence at the end of the item. The statement is: "The original statement is still effective."

The sentence is required by *Minnesota Statutes* Section 336.9-403(3) as one of the elements of a statement of continuation. When the UCC-3 form was revised early in 1993, the statement was unintentionally omitted from the new form. Therefore, one of the purposes of this rulemaking is to add the statement to the form. The change is needed because the language is statutorily required and speaks to the continuing effectiveness of a financing statement that is continued for an additional period of five years. It is reasonable to add the required language so that all members of the public who use a preprinted form meet all of the statutory requirements for a continuation statement.

8260.0800, subpart 6

The changes to this subpart are to provide additional direction when a secured party is preparing a UCC-3 on a word processor. In the previous rulemaking, we recognized that technology would allow secured parties to use word processors of all kinds to present the required information for filing. The changes we are now proposing to subpart 6 ensure that all parties creating their own forms state all of the elements required by statute for continuation, partial release, assignment and partial assignment.

The changes are needed as they consolidate all of the statutory requirements for these types of filings in the rules thus preventing secured parties from omitting an element because they did not consult both the statute and rules. The consolidation of statutory requirements also makes it clear for secured parties and filing officers what the required elements are for each type of filing made by word processor format.

The changes are reasonable as they state the elements required for continuations, partial releases, assignments and partial assignments so that all secured parties using the UCC system present all of the needed information when filing one of these transactions on a form they have created. It is reasonable to list all of the required elements in the rules so that secured parties have only one place to consult in creating the form.

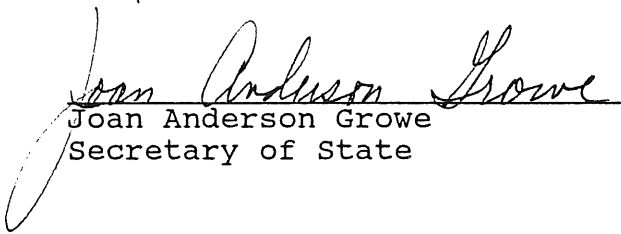
8260.1000, subpart 3

The multipart UCC-12 form which is used to request tax lien information has been redesigned to accommodate filing offices who store tax lien information on paper. The changes are needed to provide a place for a filing officer to present the information found as a result of a search of the tax lien records and to certify that information. The change is reasonable as it accommodates the needs of the filing officers while continuing to provide requesters of information with a preprinted form to use.

Conclusion

Based on the foregoing, the proposed replacement of the existing rules on UCC-3 and 12 forms with new forms is needed to meet the statutory requirements and the needs of the users of the Uniform Commercial Code system. The changes to the UCC-3 format are needed to make sure that all creators of UCC-3 forms state all of the statutorily required elements for their transaction. The proposed rules are reasonable as they address the specific needs of the customers now and in the future by providing stating all of the requirements of the Uniform Commercial Code while continuing to provide flexibility in the methods of filing available to secured parties.

Dated: December 3, 1993


Joan Anderson Grove
Secretary of State