Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

REREVISED
This Version Includes All Amendments
Adopted in the Second House

LLS NO. 16-0515.01 Thomas Morris x4218 | **HOUSE BILL 16-1270**

HOUSE SPONSORSHIP

Lee,

SENATE SPONSORSHIP

Scheffel and Heath,

House Committees	Senate Committees
Business Affairs and Labor	Business, Labor, & Technology

A BILL FOR AN ACT

101 CONCERNING THE LIMITATION OF LAWS GOVERNING SECURITY
102 INTERESTS TO AN OWNER'S INTEREST IN A BUSINESS ENTITY.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://www.leg.state.co.us/billsummaries.)

Under current law, the "Uniform Commercial Code" (Code) invalidates contractual limits on the transferability of some assets that can be subject to a security interest. In 2006, the "Colorado Corporations and Associations Act" (Act) was amended to clearly and broadly exempt an owner's interest in a business entity from these Code provisions to effectuate the "pick your partner" principle that allows small businesses

to control their ownership. **Section 3** of the bill narrows the exemption in the Act to that necessary for "pick your partner", and **sections 1 and 2** codify this narrowed exemption in the Code.

1   *Be it enacted by the General Assembly of the State of Colorado:*

2   **SECTION 1.** In Colorado Revised Statutes, 4-9-406, **amend**

3   (d) introductory portion and (k) introductory portion; and **add** (l) as

4   follows:

5   **4-9-406. Discharge of account debtor - notification of**

6   **assignment - identification and proof of assignment - restrictions on**

7   **assignment of accounts, chattel paper, payment intangibles, and**

8   **promissory notes ineffective.** (d) Except as otherwise provided in

9   subsections (e), ~~and~~ (k), AND (l) of this section and sections 4-2.5-303,

10   4-9-407, 8-80-103, 8-42-124, 13-64-210, and 24-4.1-114, C.R.S., and

11   subject to subsection (h) of this section, a term in an agreement between

12   an account debtor and an assignor or in a promissory note is ineffective

13   to the extent that it:

14   (k) Subsection (d) of this section does not apply to the assignment

15   OR THE transfer OF, or THE creation of a security interest in:

16   (l) AS SPECIFIED IN SECTION 7-90-104, C.R.S., SUBSECTIONS (d) TO

17   (f) OF THIS SECTION DO NOT APPLY TO THE ASSIGNMENT OR THE TRANSFER

18   OF, OR THE CREATION OF A SECURITY INTEREST IN, AN OWNER'S INTEREST

19   AS DEFINED IN SECTION 7-90-102 (44), C.R.S.

20   **SECTION 2.** In Colorado Revised Statutes, 4-9-408, **amend** (f)

21   introductory portion; and **add** (g) as follows:

22   **4-9-408. Restrictions on assignment of promissory notes,**

23   **health-care-insurance receivables, and certain general intangibles**

24   **ineffective.** (f) Subsections (a) and (c) of this section do not apply to the

1 assignment OR THE transfer OF, or THE creation of a security interest in:

2 (g) AS SPECIFIED IN SECTION 7-90-104, C.R.S., THIS SECTION DOES

3 NOT APPLY TO THE ASSIGNMENT OR THE TRANSFER OF, OR THE CREATION

4 OF A SECURITY INTEREST IN, AN OWNER'S INTEREST AS DEFINED IN SECTION

5 7-90-102 (44), C.R.S.

6 **SECTION 3.** In Colorado Revised Statutes, **amend** 7-90-104 as

7 follows:

8 **7-90-104.   Nonapplication of uniform commercial code to**

9 **owner's interest.** ~~Sections~~ SUBSECTIONS (d) TO (f) OF SECTION 4-9-406

10 and SECTION 4-9-408, C.R.S., ~~shall~~ DO not apply to THE ASSIGNMENT OR

11 THE TRANSFER OF, OR THE CREATION OF A SECURITY INTEREST IN, an

12 owner's interest.

13 **SECTION 4.   Act subject to petition - effective date -**

14 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following

15 the expiration of the ninety-day period after final adjournment of the

16 general assembly (August 10, 2016, if adjournment sine die is on May 11,

17 2016); except that, if a referendum petition is filed pursuant to section 1

18 (3) of article V of the state constitution against this act or an item, section,

19 or part of this act within such period, then the act, item, section, or part

20 will not take effect unless approved by the people at the general election

21 to be held in November 2016 and, in such case, will take effect on the

22 date of the official declaration of the vote thereon by the governor.

23 (2) This act applies to conduct occurring on or after the applicable

24 effective date of this act.