



Ohio Revised Code

Section 1309.407 Restriction on creation or enforcement of security interest in leasehold interest or in lessor's residual interest - UCC 9-407.

Effective: July 1, 2001

Legislation: Senate Bill 74 - 124th General Assembly

(A) Except as otherwise provided in division (B) of this section, a term in a lease agreement is not effective to the extent that it:

(1) Prohibits, restricts, or requires the consent of a party to the lease to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, an interest of a party under the lease contract or in the lessor's residual interest in the goods; or

(2) Provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the lease.

(B) Except as otherwise provided in division (G) of section 1310.31 of the Revised Code, a term in a lease agreement described in division (A)(2) of this section is effective to the extent that there is:

(1) A transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term; or

(2) A delegation of a material performance of either party to the lease contract in violation of the term.

(C) The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty of or materially increases the burden or risk imposed on the lessee within the scope of division (D) of section 1310.31 of the Revised Code unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.



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