



March 29, 2013

Dear California Grain and Feed Members and Interested Parties;

The California Grain and Feed Association along with Senator Harmon were successful in the passage of SB 592 (Harman) Dairy Cattle Supply Lien which was a two year effort to modernize the Dairy Cattle Supply Lien originally passed in 1989. The passage of SB 592 was a major victory for the association and the California grain and feed industry in general. We now have a current and usable lien law as a tool for the industry to use in ensuring financial stability and risk mitigation. The new lien law will be applicable to all contracts entered into on or after the bill's enactment date, January 1, 2013.

Below are the main provisions in the updated lien law:

- 1) Extends value of feed the lien covers from 45 days of feed supplied to 60 days of feed
- 2) Creates the right to non-judicial foreclosure upon payment default. This provision allows a feed supplier to foreclose on the lien without the extra time, costs and burdens associated with going to court.
- 3) Eliminates the "30 day timeout" that delayed initiating the judicial lien process and replaces it with a 15 day notice and hold requirement after the lien has been filed and priority established.
- 4) Modernizes notice requirements addressing issues such as service allowed to place of business not feed delivery location, business organization issues for corporations and how to notify secured creditors.
- 5) Lien is created upon delivery of feed and SB 592 retains ability to file lien without debtor signature. This is a significant advantage over the California Commercial Code which requires debtor approval of financing statements.
- 6) The bill does create an obligation on claimant to provide notice to debtor within 10 days of filing lien/financing statement and requires claimant to remove the notice of lien within 20 days of lien being satisfied. Additionally, upon foreclosure claimant must provide legal notice to debtor and qualified secured creditors.
- 7) References the California Commercial Code for priority of conflicting interests. This brings the bill in line with existing commercial statutory and case law.
- 8) Retains rights to pursue debtor through traditional legal action.
- 9) Establishes a process that a debtor can comply with the lien by bonding around the lien in case of protest.

The most significant outcome of the bill is the creation of a non-judicial foreclosure process. This drastically reduces the time, cost and hassle to perfect the lien and collect upon security interests. The bill also modernized notice and process requirements and referenced the California Commercial Code when appropriate. This establishes greater certainty for all parties involved in a transaction because these are well-established legal rules.

Enclosed is a packet of information that contains a procedural checklist and forms for use in perfecting, enforcing and terminating liens under the Dairy Cattle Supply Lien law.

Sincerely,

A handwritten signature in black ink that reads "Chris Zanobini". The signature is written in a cursive style with a large, looping "Z" and "i".

Chris Zanobini
Executive Vice President

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