

STATE OF COLORADO

Department of State

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Memorandum

To: Interested Persons

From: Colorado Secretary of State

Subject: Annual Report of the Secretary of State to the Governor and Legislature on the Operation of the Filing Office pursuant to section 4-9-527, Colorado Revised Statutes

Date: July 11, 2003

Attached is the above-captioned Annual Report for the year ending June 30, 2002.

In accordance with section 4-9-527, Colorado Revised Statutes, one (1) copy of this report is being delivered to the Governor of the State of Colorado.

Further, in accordance with section 24-1-136 (9), Colorado Revised Statutes, this report is being filed and distributed as follows:

1. one (1) copy in each house of the general assembly [one (1) copy to the Chief Clerk of the House and one (1) copy to the Secretary of the Senate];
2. Six (6) copies in the joint legislative library;
3. Four (4) copies with the state librarian for the state publications depository and distribution center; and
4. additional copies to those legislators requesting such.

For further information, please contact Keith Whitelaw, Director of Policy & Analysis, Colorado Department of State, at 303 894 2200, extension 6201.



Report to the Governor and General Assembly of the State of Colorado
From the Colorado Secretary of State
Pursuant to Section 4-9-527, Colorado Revised Statutes

To the Governor and Legislature of the State of Colorado, Greetings:

Pursuant to section 4-9-527, Colorado Revised Statutes, I, Donetta Davidson, Colorado Secretary of State, make the following report to the Governor and General Assembly of the State of Colorado on the operation of the office of the Colorado Secretary of State as a "filing office" under Colorado's Uniform Commercial Code, Article 9, Secured Transactions, as of June 30, 2003.

A. **Responsibility.** The filing office is operated within the Business Division of the Secretary of State's office. The duties, functions, policies, procedures, and practices of the Business Division relative to Colorado's Uniform Commercial Code, Article 9 are explained in the publications, "Doing Business with the Business Division", which is accessible on the Business Center link on the Secretary of State's website. Primarily, these duties involve filing and indexing Uniform Commercial Code records presented to the Secretary of State for filing, managing and maintaining those records, making those records accessible and searchable, issuing search reports and providing certified copies and certificates. In July 2001, the Secretary of State implemented a Uniform Commercial Code electronic filing program on her website, and in June, 2002, the Secretary of State added an online electronic search program for Uniform Commercial Code records and other lien records. To access these programs, visit the website, select "Business Center" and click on the appropriate link on the left-hand navigation bar.

B. **Status of Operations.** As of July 1, 2003, the status of operations was as follows:

Filing and indexing (or refusal) of records. All records presented for filing through June 30, 2003, had been examined, filed, and indexed (or acceptance had been refused, in accordance with section 4-9-520, C.R.S.)

Search Services. All requests for searches had been satisfied through June 30, 2003.

Rules and Rulemaking. The Secretary of State, as a "filing officer" under section 4-9-501, C.R.S., filed a Notice of Proposed Rulemaking Hearing, with the rulemaking hearing to be held on July 1, 2003 at 10:00 a.m. in the Secretary of State's conference room, Suite 200, 1560 Broadway, Denver, Colorado 80202. These rules will amend the "Filing Office Rules Adopted by

the Secretary of State for the Implementation of Colorado's Uniform Commercial Code, Article 9, Secured Transactions, of Title 4, Colorado Revised Statutes, Colorado's Central Filing of Effective Financing Statement Act, Article 9.5 of Title 4, Colorado Revised Statutes, and Related Colorado Laws", repeal or relocate certain portions of "Rules Pertaining to the Design, Implementation, and Operation of the Central Information System" and repeal the "Colorado Central Indexing System Board Rules." These amendments will reflect the most current resolutions to be adopted by the International Association of Commercial Administrators (IACA) as the resolutions relate to Section 208, Refusal Errors, and Section 405, Errors of the Filing Officer. These amended rules will be adopted on a temporary and permanent basis on July 1, 2003.

Legislation to "sunset" the Central Information System Board (SB 03-041). As originally established in 1999 legislation, the Central Filing System was to be administered by a Central Filing Officer under the direction of the CIS Board. The system was envisioned as a stand-alone system, separate from the other business filings of the Department of State. In August 1999, the CIS Board appointed Donetta Davidson, Secretary of State, as the Central Filing Officer. In her role as the Central Filing Officer, she has slowly integrated the Central Filing System into the Department of State, to such a level that the role of the CIS Board is no longer necessary. Upon examination of their mission statement, the CIS Board determined they have achieved their goals and voted to propose legislation to sunset their role in the Central Information System. However, the Secretary of State will continue to welcome and encourage input from those involved in the Central Filing System. This legislation does not substantially modify the Central Filing System. It does, however, remove references to the CIS Board and the Central Information System Act. This bill allows the Secretary of State to distribute the master list on a more than quarterly basis. Currently, the master list is provided on a monthly basis. The monthly distribution of the master list has been met with much public support.

SSN Redaction Project (HB 02-1014). Financing Statements filed with a filing office on or after April 6, 1989 and before July 1, 2001 were required to list the debtor's Social Security Number (SSN). The provisions of Article 9 that required such information were repealed as of July 1, 2001. Pursuant to House Bill 02-1014, the Secretary of State was authorized to redact the SSN from those records no later than July 1, 2003, while still retaining the records with the SSN to be furnished only upon application and for good cause shown. In mid-December, 2002, the Secretary of State contracted with the Department of Personnel and Administrations, Division of Central Services, Document Solutions Group, (DSG) to start the redaction process for the 1.5 million financing documents on file with the Secretary of State. The project involved a review of the pages in a document (the "images"), the removal of the undesired information on the images (the SSN) or restoration of data that was removed in error, and a quality review of that work. Once a removal has been made, the words, "SSN removed" appear in place of the removed SSN. After the images were verified to be accurate, the Secretary of State approved and accepted the file, and then uploaded the files to the website. This entire project was completed on time and under budget.

Sincerely,



Donetta Davidson
Colorado Secretary of State