



California Corporate & Securities Law

Buying in Bulk in California

Posted In [Mergers & Acquisitions](#)

9-28-2010

“Bulk” is a word that comes into English from the Old Norse language. It refers to a pile of goods – presumably at the bottom of a Viking ship. With the growth of commerce, creditors became concerned that merchants would acquire an inventory – a pile of goods – on credit, sell the bulk, take off, and leave the creditors empty handed. Article 6 of the Uniform Commercial Code was drafted to address this concern.

Eventually, the National Conference of Commissioners on Uniform State Laws (NCCUSL) reevaluated the wisdom of Article 6, concluding:

There is no evidence that in today's economy, fraudulent bulk sales are frequent enough, or engender credit losses significant enough, to require regulation of all bulk sales, including the vast majority that are conducted in good faith.

Thus, the NCCUSL recommended that the states repeal or adopt a revised version of Article 6. Nearly every state, but California, has since repealed Article 6. Therefore, those acquiring the assets of a restaurant owner or someone whose principal business is the sale of inventory from stock, including those who manufacture what they sell, would do well to remember that California remains one the very few jurisdictions with a bulk sales law.

Please contact **Keith Paul Bishop** at Allen Matkins for more information kbishop@allenmatkins.com

<http://www.calcorporatelaw.com/>