

**SUBSTITUTE FOR  
HOUSE BILL NO. 5082**

A bill to amend 1962 PA 174, entitled  
"Uniform commercial code,"  
by amending sections 1201, 2103, 2104, 2310, 2323, 2401, 2503,  
2505, 2506, 2509, 2605, 2705, 2A103, 2A514, 2A526, 4104, 4210,  
7101, 7102, 7103, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206,  
7207, 7208, 7209, 7210, 7301, 7302, 7303, 7304, 7305, 7307, 7308,  
7309, 7401, 7402, 7403, 7404, 7501, 7502, 7503, 7504, 7505, 7506,  
7507, 7508, 7509, 7601, 7602, 7603, 8103, 9102, 9203, 9207, 9208,  
9301, 9310, 9312, 9313, 9314, 9317, 9338, and 9601 (MCL 440.1201,  
440.2103, 440.2104, 440.2310, 440.2323, 440.2401, 440.2503,  
440.2505, 440.2506, 440.2509, 440.2605, 440.2705, 440.2803,  
440.2964, 440.2976, 440.4104, 440.4210, 440.7101, 440.7102,  
440.7103, 440.7104, 440.7105, 440.7201, 440.7202, 440.7203,  
440.7204, 440.7205, 440.7206, 440.7207, 440.7208, 440.7209,

440.7210, 440.7301, 440.7302, 440.7303, 440.7304, 440.7305, 440.7307, 440.7308, 440.7309, 440.7401, 440.7402, 440.7403, 440.7404, 440.7501, 440.7502, 440.7503, 440.7504, 440.7505, 440.7506, 440.7507, 440.7508, 440.7509, 440.7601, 440.7602, 440.7603, 440.8103, 440.9102, 440.9203, 440.9207, 440.9208, 440.9301, 440.9310, 440.9312, 440.9313, 440.9314, 440.9317, 440.9338, and 440.9601), sections 1201, 2103, 2A103, 4210, 7503, 8103, 9102, 9203, 9207, 9208, 9301, 9310, 9312, 9313, 9314, and 9317 as amended and sections 9338 and 9601 as added by 2000 PA 348, sections 2A514 and 2A526 as added by 1992 PA 101, and section 4104 as amended by 1998 PA 278, and by adding section 7106 and part 7.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1201. (1) **UNLESS THE CONTEXT OTHERWISE REQUIRES, WORDS**  
 2 **OR PHRASES DEFINED IN THIS SECTION, OR IN THE ADDITIONAL**  
 3 **DEFINITIONS CONTAINED IN OTHER ARTICLES OF THIS ACT THAT APPLY TO**  
 4 **PARTICULAR ARTICLES OR PARTS OF THIS ACT, HAVE THE MEANINGS**  
 5 **STATED.**

6           (2) Subject to ~~additional~~ definitions contained in ~~the~~  
 7 ~~subsequent~~ **OTHER** articles of this act ~~which are applicable to~~  
 8 ~~specific~~ **THAT APPLY TO PARTICULAR** articles or parts of this act,  
 9 and unless the context otherwise requires, **AS USED** in this act:

10           **(A)** ~~(1)~~—"Action" in the sense of a judicial proceeding  
 11 includes recoupment, counterclaim, setoff, suit in equity, and  
 12 any other proceedings in which rights are determined.

13           **(B)** ~~(2)~~—"Aggrieved party" means a party entitled to resort  
 14 to a remedy.

1           (C) ~~(3)~~—"Agreement", **AS DISTINGUISHED FROM CONTRACT AS**  
 2 **DEFINED IN SUBDIVISION (I)**, means the bargain of the parties in  
 3 fact, as found in their language or by implication from other  
 4 circumstances, including **COURSE OF PERFORMANCE**, course of  
 5 dealing, or usage of trade or course of performance as provided  
 6 in ~~this act (sections 1205 and 2208)~~ **SECTION 1303**. Whether an  
 7 agreement has legal consequences is determined by the provisions  
 8 of ~~this act, if applicable; otherwise by the law of contracts~~  
 9 ~~(section 1103). (Compare "Contract".)~~

10           (D) ~~(4)~~—"Bank" means ~~any~~ **A** person engaged in the business of  
 11 banking **AND INCLUDES A SAVINGS BANK, SAVINGS AND LOAN**  
 12 **ASSOCIATION, CREDIT UNION, AND TRUST COMPANY.**

13           (E) ~~(5)~~—"Bearer" means ~~the~~ **A PERSON IN CONTROL OF A**  
 14 **NEGOTIABLE ELECTRONIC DOCUMENT OF TITLE OR A** person in possession  
 15 of an instrument, **A NEGOTIABLE TANGIBLE** document of title, or **A**  
 16 certificated security payable to bearer or indorsed in blank.

17           (F) ~~(6)~~—"Bill of lading" means a document **OF TITLE**  
 18 evidencing the receipt of goods for shipment issued by a person  
 19 engaged in the business of **DIRECTLY OR INDIRECTLY** transporting or  
 20 forwarding goods. ~~, and includes an airbill. "Airbill" means a~~  
 21 ~~document serving for air transportation as a bill of lading does~~  
 22 ~~for marine or rail transportation, and includes an air~~  
 23 ~~consignment note or air waybill.~~ **THE TERM DOES NOT INCLUDE A**  
 24 **WAREHOUSE RECEIPT.**

25           (G) ~~(7)~~—"Branch" includes a separately incorporated foreign  
 26 branch of a bank.

27           (H) ~~(8)~~—"Burden of establishing" a fact ~~"~~ means the burden

1 of persuading the ~~triers~~**TRIER** of fact that the existence of the  
2 fact is more probable than its nonexistence.

3 (I) ~~(9)~~"Buyer in ordinary course of business" means a  
4 person that buys goods in good faith, without knowledge that the  
5 sale violates the rights of another person in the ~~good~~**GOODS**, and  
6 in the ordinary course from a person, other than a pawnbroker, in  
7 the business of selling goods of that kind. A person buys goods  
8 in the ordinary course if the sale to the person comports with  
9 the usual or customary practices in the kind of business in which  
10 the seller is engaged or with the seller's own usual or customary  
11 practices. A person that sells oil, gas, or other minerals at the  
12 wellhead or minehead is a person in the business of selling goods  
13 of that kind. A buyer in ordinary course of business may buy for  
14 cash, by exchange of other property, or on secured or unsecured  
15 credit, and may acquire goods or documents of title under a  
16 preexisting contract for sale. Only a buyer that takes possession  
17 of the goods or has a right to recover the goods from the seller  
18 under article 2 may be a buyer in ordinary course of business. A  
19 **THE TERM DOES NOT INCLUDE A** person that acquires goods in a  
20 transfer in bulk or as security for or in total or partial  
21 satisfaction of a money debt. ~~is not a buyer in ordinary course~~  
22 ~~of business.~~

23 (J) ~~(10)~~"Conspicuous", ~~:- A term or clause is conspicuous~~  
24 ~~when it is~~**WITH REFERENCE TO A TERM, MEANS** so written, **DISPLAYED,**  
25 **OR PRESENTED** that a reasonable person against whom ~~whom~~**WHICH** it is to  
26 operate ought to have noticed it. ~~A printed heading in capitals~~  
27 ~~(as: non negotiable bill of lading) is conspicuous. Language in~~

1 ~~the body of a form is "conspicuous" if it is in larger or other~~  
2 ~~contrasting type or color. But in a telegram any stated term is~~  
3 ~~"conspicuous". Whether a term or clause is "conspicuous" or not~~  
4 ~~is for a decision by FOR the court. CONSPICUOUS TERMS INCLUDE ANY~~  
5 ~~OF THE FOLLOWING:~~

6 (i) A HEADING IN CAPITALS EQUAL TO OR GREATER IN SIZE THAN  
7 THE SURROUNDING TEXT, OR IN CONTRASTING TYPE, FONT, OR COLOR TO  
8 SURROUNDING TEXT OF THE SAME OR LESSER SIZE.

9 (ii) LANGUAGE IN THE BODY OF A RECORD OR DISPLAY IN LARGER  
10 TYPE THAN THE SURROUNDING TEXT, OR IN CONTRASTING TYPE, FONT, OR  
11 COLOR TO SURROUNDING TEXT OF THE SAME SIZE, OR SET OFF FROM  
12 SURROUNDING TEXT OF THE SAME SIZE BY SYMBOLS OR OTHER MARKS THAT  
13 CALL ATTENTION TO THE LANGUAGE.

14 (K) "CONSUMER" MEANS AN INDIVIDUAL WHO ENTERS INTO A  
15 TRANSACTION PRIMARILY FOR PERSONAL, FAMILY, OR HOUSEHOLD  
16 PURPOSES.

17 (l) ~~(11)~~—"Contract", AS DISTINGUISHED FROM AGREEMENT AS  
18 DEFINED IN SUBDIVISION (C), means the total legal obligation  
19 ~~which THAT~~ results from the parties' agreement as affected  
20 DETERMINED by this act ~~and any other applicable rules of law AS~~  
21 SUPPLEMENTED BY ANY OTHER APPLICABLE LAWS. ~~(Compare "Agreement".)~~

22 (M) ~~(12)~~—"Creditor" includes a general creditor, a secured  
23 creditor, a lien creditor, and any representative of creditors,  
24 including an assignee for the benefit of creditors, a trustee in  
25 bankruptcy, a receiver in equity, and an executor or  
26 administrator of an insolvent debtor's or assignor's estate.

27 (N) ~~(13)~~—"Defendant" includes a person in the position of

1 defendant in a ~~cross action or counterclaim~~, **CROSS-CLAIM, OR**  
 2 **THIRD-PARTY CLAIM.**

3 (O) ~~(14)~~ "Delivery" ~~with~~ **MEANS EITHER OF THE FOLLOWING:**

4 (i) **WITH RESPECT TO AN ELECTRONIC DOCUMENT OF TITLE, A**  
 5 **VOLUNTARY TRANSFER OF CONTROL.**

6 (ii) **WITH** respect to ~~instruments, documents~~ **AN INSTRUMENT,**  
 7 **DOCUMENT** of title, **OR** chattel paper, ~~or certificated securities~~  
 8 ~~means~~ **A** voluntary transfer of possession.

9 (P) ~~(15)~~ "Document of title" ~~includes bill of lading, dock~~  
 10 ~~warrant, dock receipt, warehouse receipt, or order for the~~  
 11 ~~delivery of goods, and also any other document which~~ **MEANS A**  
 12 **RECORD THAT** in the regular course of business or financing is  
 13 treated as adequately evidencing that the person in possession ~~of~~  
 14 ~~it~~ **OR CONTROL OF THE RECORD** is entitled to receive, **CONTROL,**  
 15 hold, and dispose of the ~~document~~ **RECORD** and the goods ~~it~~ **THE**  
 16 **RECORD** covers . ~~To be a document of title a document must purport~~  
 17 ~~to be issued by or addressed to a bailee and purport to cover~~  
 18 ~~goods in the bailee's possession which are either identified or~~  
 19 ~~are fungible portions of an identified mass.~~ **AND THAT PURPORTS TO**  
 20 **BE ISSUED BY OR ADDRESSED TO A BAILEE AND TO COVER GOODS IN THE**  
 21 **BAILEE'S POSSESSION WHICH ARE EITHER IDENTIFIED OR ARE FUNGIBLE**  
 22 **PORTIONS OF AN IDENTIFIED MASS. THE TERM INCLUDES A BILL OF**  
 23 **LADING, TRANSPORT DOCUMENT, DOCK WARRANT, DOCK RECEIPT, WAREHOUSE**  
 24 **RECEIPT, AND ORDER FOR DELIVERY OF GOODS. "ELECTRONIC DOCUMENT OF**  
 25 **TITLE" MEANS A DOCUMENT OF TITLE EVIDENCED BY A RECORD CONSISTING**  
 26 **OF INFORMATION STORED IN AN ELECTRONIC MEDIUM. "TANGIBLE DOCUMENT**  
 27 **OF TITLE" MEANS A DOCUMENT OF TITLE EVIDENCED BY A RECORD**

1 CONSISTING OF INFORMATION THAT IS INSCRIBED ON A TANGIBLE MEDIUM.

2 (Q) ~~(16)~~ "Fault" means ~~wrongful act, omission, or breach.~~ A  
3 DEFAULT, BREACH, OR WRONGFUL ACT OR OMISSION.

4 ~~—— (17) "Fungible" with respect to goods or securities means~~  
5 ~~goods or securities of which any unit is, by nature or usage of~~  
6 ~~trade, the equivalent of any other like unit. Goods which are not~~  
7 ~~fungible shall be deemed fungible for the purposes of this act to~~  
8 ~~the extent that under a particular agreement or document unlike~~  
9 ~~units are treated as equivalents.~~

10 (R) "FUNGIBLE GOODS" MEANS EITHER OF THE FOLLOWING:

11 (i) GOODS OF WHICH ANY UNIT, BY NATURE OR USAGE OF TRADE, IS  
12 THE EQUIVALENT OF ANY OTHER LIKE UNIT.

13 (ii) GOODS THAT BY AGREEMENT ARE TREATED AS EQUIVALENT.

14 (S) ~~(18)~~ "Genuine" means free of forgery or counterfeiting.

15 (T) ~~(19)~~ "Good faith", means ~~honesty in fact in the conduct~~  
16 ~~or transaction concerned.~~ EXCEPT AS OTHERWISE PROVIDED IN ARTICLE  
17 5, MEANS HONESTY IN FACT AND THE OBSERVANCE OF REASONABLE  
18 COMMERCIAL STANDARDS OF FAIR DEALING.

19 (U) ~~(20)~~ "Holder" , ~~with respect to a negotiable instrument,~~  
20 ~~means the person in possession if the instrument is payable to~~  
21 ~~bearer or, in the case of an instrument payable to an identified~~  
22 ~~person, if the identified person is in possession. Holder, with~~  
23 ~~respect to a document of title, means the person in possession if~~  
24 ~~the goods are deliverable to bearer or to the order of the person~~  
25 ~~in possession.~~ MEANS ANY OF THE FOLLOWING:

26 (i) A PERSON IN POSSESSION OF A NEGOTIABLE INSTRUMENT THAT IS  
27 PAYABLE EITHER TO BEARER OR TO AN IDENTIFIED PERSON THAT IS THE

1 PERSON IN POSSESSION.

2 (ii) A PERSON IN POSSESSION OF A NEGOTIABLE TANGIBLE DOCUMENT  
3 OF TITLE IF THE GOODS ARE DELIVERABLE EITHER TO BEARER OR TO THE  
4 ORDER OF THE PERSON IN POSSESSION.

5 (iii) A PERSON IN CONTROL OF A NEGOTIABLE ELECTRONIC DOCUMENT  
6 OF TITLE.

7 ~~—— (21) To "honor" is to pay or to accept and pay, or where a  
8 credit so engages to purchase or discount a draft complying with  
9 the terms of the credit.~~

10 (V) ~~(22)~~ "Insolvency proceedings" includes ~~any~~ **AN** assignment  
11 for the benefit of creditors or other ~~proceedings~~ **PROCEEDING**  
12 intended to liquidate or rehabilitate the estate of the person  
13 involved.

14 ~~—— (23) A person is "insolvent" who either has ceased to pay  
15 his or her debts in the ordinary course of business or cannot pay  
16 his or her debts as they become due or is insolvent within the  
17 meaning of the federal bankruptcy law.~~

18 (W) "INSOLVENT" MEANS ANY OF THE FOLLOWING:

19 (i) HAVING GENERALLY CEASED TO PAY DEBTS IN THE ORDINARY  
20 COURSE OF BUSINESS OTHER THAN AS A RESULT OF A BONA FIDE DISPUTE.

21 (ii) BEING UNABLE TO PAY DEBTS AS THEY BECOME DUE.

22 (iii) BEING INSOLVENT WITHIN THE MEANING OF FEDERAL BANKRUPTCY  
23 LAW.

24 (X) ~~(24)~~ "Money" means a medium of exchange authorized or  
25 adopted by a domestic or foreign government. ~~and~~ **THE TERM**  
26 includes a monetary unit of account established by an  
27 intergovernmental organization or by agreement between 2 or more



1 nations. ~~COUNTRIES.~~

2 ~~—— (25) A person has "notice" of a fact when he or she has~~  
3 ~~actual knowledge of it; he or she has received a notice or~~  
4 ~~notification of it; or from all the facts and circumstances known~~  
5 ~~to him or her at the time in question he or she has reason to~~  
6 ~~know that it exists. A person "knows" or has "knowledge" of a~~  
7 ~~fact when he or she has actual knowledge of it. "Discover" or~~  
8 ~~"learn" or a word or phrase of similar import refers to knowledge~~  
9 ~~rather than to reason to know. The time and circumstances under~~  
10 ~~which a notice or notification may cease to be effective are not~~  
11 ~~determined by this act.~~

12 ~~—— (26) A person "notifies" or "gives" a notice or notification~~  
13 ~~to another by taking such steps as may be reasonably required to~~  
14 ~~inform the other in ordinary course whether or not such other~~  
15 ~~actually comes to know of it. A person "receives" a notice or~~  
16 ~~notification when 1 of the following occurs:~~

17 ~~—— (a) It comes to his or her attention.~~

18 ~~—— (b) It is duly delivered at the place of business through~~  
19 ~~which the contract was made or at any other place held out by him~~  
20 ~~or her as the place for receipt of such communications.~~

21 ~~—— (27) Notice, knowledge, or a notice or notification received~~  
22 ~~by an organization is effective for a particular transaction from~~  
23 ~~the time when it is brought to the attention of the individual~~  
24 ~~conducting that transaction, and in any event from the time when~~  
25 ~~it would have been brought to the individual's attention if the~~  
26 ~~organization had exercised due diligence. An organization~~  
27 ~~exercises due diligence if it maintains reasonable routines for~~

1 ~~communicating significant information to the person conducting~~  
 2 ~~the transaction and there is reasonable compliance with the~~  
 3 ~~routines. Due diligence does not require an individual acting for~~  
 4 ~~the organization to communicate information unless such~~  
 5 ~~communication is part of his or her regular duties or unless he~~  
 6 ~~or she has reason to know of the transaction and that the~~  
 7 ~~transaction would be materially affected by the information.~~

8       ~~(Y) (28) "Organization" includes a corporation, government,~~  
 9 ~~or governmental subdivision or agency, business trust, estate,~~  
 10 ~~trust, partnership or association, 2 or more persons having a~~  
 11 ~~joint or common interest, or any other legal or commercial~~  
 12 ~~entity.~~ **MEANS A PERSON OTHER THAN AN INDIVIDUAL.**

13       ~~(Z) (29) "Party", as distinct from "third party", means a~~  
 14 ~~person who~~ **THAT** ~~has engaged in a transaction or made an agreement~~  
 15 ~~within~~ **SUBJECT TO** ~~this act.~~

16       ~~(30) "Person" includes an individual or an organization (see~~  
 17 ~~section 1102).~~

18       ~~(31) "Presumption" or "presumed" means that the trier of~~  
 19 ~~fact must find the existence of the fact presumed unless and~~  
 20 ~~until evidence is introduced which would support a finding of its~~  
 21 ~~nonexistence.~~

22       **(AA) "PERSON" MEANS AN INDIVIDUAL, CORPORATION, BUSINESS**  
 23 **TRUST, ESTATE, TRUST, PARTNERSHIP, LIMITED LIABILITY COMPANY,**  
 24 **ASSOCIATION, JOINT VENTURE, GOVERNMENT, GOVERNMENTAL SUBDIVISION,**  
 25 **AGENCY, OR INSTRUMENTALITY, PUBLIC CORPORATION, OR ANY OTHER**  
 26 **LEGAL OR COMMERCIAL ENTITY.**

27       **(BB) "PRESENT VALUE" MEANS THE AMOUNT AS OF A DATE CERTAIN**

1 OF 1 OR MORE SUMS PAYABLE IN THE FUTURE, DISCOUNTED TO THE DATE  
2 CERTAIN BY USE OF EITHER AN INTEREST RATE SPECIFIED BY THE  
3 PARTIES IF THAT RATE IS NOT MANIFESTLY UNREASONABLE AT THE TIME  
4 THE TRANSACTION IS ENTERED INTO OR, IF AN INTEREST RATE IS NOT SO  
5 SPECIFIED, A COMMERCIALY REASONABLE RATE THAT TAKES INTO ACCOUNT  
6 THE FACTS AND CIRCUMSTANCES AT THE TIME THE TRANSACTION IS  
7 ENTERED INTO.

8 (CC) ~~(32)~~ "Purchase" ~~includes~~ **MEANS** taking by sale, **LEASE**,  
9 discount, negotiation, mortgage, pledge, lien, security interest,  
10 issue or reissue, gift, or any other voluntary transaction  
11 creating an interest in property.

12 (DD) ~~(33)~~ "Purchaser" means a person ~~who~~ **THAT** takes by  
13 purchase.

14 (EE) "RECORD" **MEANS** INFORMATION THAT IS INSCRIBED ON A  
15 TANGIBLE MEDIUM OR THAT IS STORED IN AN ELECTRONIC OR OTHER  
16 MEDIUM AND IS RETRIEVABLE IN PERCEIVABLE FORM.

17 (FF) ~~(34)~~ "Remedy" means any remedial right to which an  
18 aggrieved party is entitled with or without resort to a tribunal.

19 (GG) ~~(35)~~ "Representative" ~~includes~~ **MEANS A PERSON EMPOWERED**  
20 **TO ACT FOR ANOTHER, INCLUDING** an agent, an officer of a  
21 corporation or association, and a trustee, executor, or  
22 administrator of an estate., ~~or any other person empowered to act~~  
23 ~~for another.~~

24 (HH) ~~(36)~~ "Rights" **"RIGHT"** includes ~~remedies~~ **REMEDY**.

25 (II) ~~(37)~~ "Security interest" means an interest in personal  
26 property or fixtures which secures payment or performance of an  
27 obligation. The term ~~also~~ includes any interest of a consignor

1 and a buyer of ~~an account~~ **ACCOUNTS**, chattel paper, a payment  
2 intangible, or a promissory note in a transaction that is subject  
3 to article 9. The **TERM DOES NOT INCLUDE THE** special property  
4 interest of a buyer of goods on identification of those goods to  
5 a contract for sale under section 2401, ~~is not a "security~~  
6 ~~interest",~~ but a buyer may also acquire a "security interest" by  
7 complying with article 9. Except as otherwise provided in section  
8 2505, the right of a seller or lessor of goods under article 2 or  
9 2A to retain or acquire possession of the goods is not a  
10 "security interest", but a seller or lessor may also acquire a  
11 "security interest" by complying with article 9. The retention or  
12 reservation of title by a seller of goods notwithstanding  
13 shipment or delivery to the buyer ~~(section 2401)~~ **UNDER SECTION**  
14 **2401** is limited in effect to a reservation of a "security  
15 interest". Whether a transaction **IN THE FORM OF A LEASE** creates a  
16 ~~lease or security interest is determined by the facts of each~~  
17 ~~case; however, a transaction creates a security interest if the~~  
18 ~~consideration the lessee is to pay the lessor for the right to~~  
19 ~~possession and use of the goods is an obligation for the term of~~  
20 ~~the lease not subject to termination by the lessee, and any of~~  
21 ~~the following:~~ **UNDER SECTION 1203.**

22 ~~—— (a) The original term of the lease is equal to or greater~~  
23 ~~than the remaining economic life of the goods.~~

24 ~~—— (b) The lessee is bound to renew the lease for the remaining~~  
25 ~~economic life of the goods or is bound to become the owner of the~~  
26 ~~goods.~~

27 ~~—— (c) The lessee has an option to renew the lease for the~~

1 ~~remaining economic life of the goods for no additional~~  
2 ~~consideration or nominal additional consideration upon compliance~~  
3 ~~with the lease agreement.~~

4 ~~—— (d) The lessee has an option to become the owner of the~~  
5 ~~goods for no additional consideration or nominal additional~~  
6 ~~consideration upon compliance with the lease agreement.~~

7 ~~—— A transaction does not create a security interest merely~~  
8 ~~because it provides any of the following:~~

9 ~~—— (a) The present value of the consideration the lessee is~~  
10 ~~obligated to pay the lessor for the right to possession and use~~  
11 ~~of the goods is substantially equal to or is greater than the~~  
12 ~~fair market value of the goods at the time the lease is entered~~  
13 ~~into.~~

14 ~~—— (b) The lessee assumes risk of loss of the goods, or agrees~~  
15 ~~to pay taxes, insurance, filing, recording, or registration fees,~~  
16 ~~or service or maintenance costs with respect to the goods.~~

17 ~~—— (c) The lessee has an option to renew the lease or to become~~  
18 ~~the owner of the goods.~~

19 ~~—— (d) The lessee has an option to renew the lease for a fixed~~  
20 ~~rent that is equal to or greater than the reasonably predictable~~  
21 ~~fair market rent for the use of the goods for the term of the~~  
22 ~~renewal at the time the option is to be performed.~~

23 ~~—— (e) The lessee has an option to become the owner of the~~  
24 ~~goods for a fixed price that is equal to or greater than the~~  
25 ~~reasonably predictable fair market value of the goods at the time~~  
26 ~~the option is to be performed.~~

27 ~~—— As used in this subsection:~~

1 ~~—— (a) Additional consideration is not nominal if when the~~  
2 ~~option to renew the lease is granted to the lessee the rent is~~  
3 ~~stated to be the fair market rent for the use of the goods for~~  
4 ~~the term of the renewal determined at the time the option is to~~  
5 ~~be performed, or when the option to become the owner of the goods~~  
6 ~~is granted to the lessee, the price is stated to be the fair~~  
7 ~~market value of the goods determined at the time the option is to~~  
8 ~~be performed. Additional consideration is nominal if it is less~~  
9 ~~than the lessee's reasonably predictable cost of performing under~~  
10 ~~the lease agreement if the option is not exercised.~~

11 ~~—— (b) "Present value" means the amount as of a date certain of~~  
12 ~~1 or more sums payable in the future, discounted to the date~~  
13 ~~certain. The discount is determined by the interest rate~~  
14 ~~specified by the parties if the rate is not manifestly~~  
15 ~~unreasonable at the time the transaction is entered into,~~  
16 ~~otherwise, the discount is determined by a commercially~~  
17 ~~reasonable rate that takes into account the facts and~~  
18 ~~circumstances of each case at the time the transaction was~~  
19 ~~entered into.~~

20 ~~—— (c) "Reasonably predictable" and "remaining economic life of~~  
21 ~~the goods" are to be determined with reference to the facts and~~  
22 ~~circumstances at the time the transaction is entered into.~~

23 ~~(JJ) (38) "Send" in connection with any ~~A~~ writing, **RECORD,**~~  
24 ~~or notice means to deposit in the mail or deliver for~~  
25 ~~transmission by any other usual means of communication with~~  
26 ~~postage or cost of transmission provided for and properly~~  
27 ~~addressed and in the case of an instrument to an address~~

1 ~~specified thereon or otherwise agreed, or if there be none to any~~  
 2 ~~address reasonable under the circumstances. The receipt of any~~  
 3 ~~writing or notice within the time at which it would have arrived,~~  
 4 ~~if properly sent, has the effect of a proper sending.~~ ANY OF THE  
 5 FOLLOWING:

6 (i) TO DEPOSIT IN THE MAIL OR DELIVER FOR TRANSMISSION BY ANY  
 7 OTHER USUAL MEANS OF COMMUNICATION WITH POSTAGE OR COST OF  
 8 TRANSMISSION PROVIDED FOR AND PROPERLY ADDRESSED AND, IN THE CASE  
 9 OF AN INSTRUMENT, TO AN ADDRESS SPECIFIED ON THE INSTRUMENT OR  
 10 OTHERWISE AGREED, OR IF THERE IS NOT AN ADDRESS SPECIFIED OR  
 11 AGREED, TO ANY ADDRESS REASONABLE UNDER THE CIRCUMSTANCES.

12 (ii) IN ANY OTHER WAY TO CAUSE TO BE RECEIVED ANY RECORD OR  
 13 NOTICE WITHIN THE TIME IT WOULD HAVE ARRIVED IF PROPERLY SENT.

14 (KK) ~~(39)~~ "Signed" includes any symbol executed or adopted  
 15 by a party with present intention to authenticate a writing,  
 16 including a carbon copy of his or her signature. ADOPT OR ACCEPT A  
 17 WRITING.

18 ~~—— (40) "Surety" includes guarantor.~~

19 ~~—— (41) "Telegram" includes a message transmitted by radio,~~  
 20 ~~teletype, cable, any mechanical method of transmission, or the~~  
 21 ~~like.~~

22 (ll) "STATE" MEANS A STATE OF THE UNITED STATES, THE DISTRICT  
 23 OF COLUMBIA, PUERTO RICO, THE UNITED STATES VIRGIN ISLANDS, OR  
 24 ANY TERRITORY OR INSULAR POSSESSION SUBJECT TO THE JURISDICTION  
 25 OF THE UNITED STATES.

26 (MM) "SURETY" INCLUDES A GUARANTOR OR OTHER SECONDARY  
 27 OBLIGOR.

1           (NN) ~~(42)~~ "Term" means ~~that~~ **A** portion of an agreement which  
2 **THAT** relates to a particular matter.

3           (OO) ~~(43)~~ "Unauthorized " ~~signature means one~~ **SIGNATURE**"  
4 **MEANS A SIGNATURE** made without actual, implied, or apparent  
5 authority. ~~and~~ **THE TERM** includes a forgery.

6 ~~—— (44) "Value". Except as otherwise provided with respect to~~  
7 ~~negotiable instruments and bank collections (sections 3303, 4208,~~  
8 ~~and 4209) a person gives "value" for rights if the person~~  
9 ~~acquires them:~~

10 ~~—— (a) In return for a binding commitment to extend credit or~~  
11 ~~for the extension of immediately available credit whether or not~~  
12 ~~drawn upon and whether or not a charge back is provided for in~~  
13 ~~the event of difficulties in collection; or~~

14 ~~—— (b) As security for or in total or partial satisfaction of a~~  
15 ~~preexisting claim; or~~

16 ~~—— (c) By accepting delivery pursuant to a preexisting contract~~  
17 ~~for purchase; or~~

18 ~~—— (d) Generally, in return for any consideration sufficient to~~  
19 ~~support a simple contract.~~

20           (PN) ~~(45)~~ "Warehouse receipt" means a ~~receipt~~ **DOCUMENT OF**  
21 **TITLE** issued by a person engaged in the business of storing goods  
22 for hire.

23           (QQ) ~~(46)~~ "Written" or "writing" includes printing,  
24 typewriting, or any other intentional reduction to tangible form.

25           Sec. 2103. (1) In this article unless the context otherwise  
26 requires:

27           (a) "Buyer" means a person who buys or contracts to buy



1 goods.

2 ~~—— (b) "Good faith" in the case of a merchant means honesty in~~  
 3 ~~fact and the observance of reasonable commercial standards of~~  
 4 ~~fair dealing in the trade.~~

5 (B) ~~(e)~~ "Receipt" of goods means taking physical possession  
 6 of them.

7 (C) ~~(d)~~ "Seller" means a person who sells or contracts to  
 8 sell goods.

9 (2) Other definitions applying to this article or to  
 10 specified parts thereof, and the sections in which they appear  
 11 are:

12	"Acceptance".	Section 2606.
13	"Banker's credit".	Section 2325.
14	"Between merchants".	Section 2104.
15	"Cancellation".	Section 2106(4).
16	"Commercial unit".	Section 2105.
17	"Confirmed credit".	Section 2325.
18	"Conforming to contract".	Section 2106.
19	"Contract for sale".	Section 2106.
20	"Cover".	Section 2712.
21	"Entrusting".	Section 2403.
22	"Financing agency".	Section 2104.
23	"Future goods".	Section 2105.
24	"Goods".	Section 2105.
25	"Identification".	Section 2501.
26	"Installment contract".	Section 2612.
27	"Letter of credit".	Section 2325.
28	"Lot".	Section 2105.

1	"Merchant".	Section 2104.
2	"Overseas".	Section 2323.
3	"Person in position of seller".	Section 2707.
4	"Present sale".	Section 2106.
5	"Sale".	Section 2106.
6	"Sale on approval".	Section 2326.
7	"Sale or return".	Section 2326.
8	"Termination".	Section 2106.

9           (3) ~~The~~ **"CONTROL" AS PROVIDED IN SECTION 7106 AND THE**  
10 following definitions in other articles apply to this article:

11	"Check".	Section 3104.
12	"Consignee".	Section 7102.
13	"Consignor".	Section 7102.
14	"Consumer goods".	Section 9102.
15	"Dishonor".	Section 3502.
16	"Draft".	Section 3104.

17           (4) In addition, article 1 contains general definitions and  
18 principles of construction and interpretation applicable  
19 throughout this article.

20           Sec. 2104. (1) "Merchant" means a person ~~who~~ **THAT** deals in  
21 goods of the kind or otherwise by ~~his~~ **THE PERSON'S** occupation  
22 holds ~~himself~~ **ITSELF** out as having knowledge or skill peculiar to  
23 the practices or goods involved in the transaction or to ~~whom~~  
24 ~~such~~ **WHICH THAT** knowledge or skill may be attributed by ~~his~~ **THE**  
25 **PERSON'S** employment of an agent or broker or other intermediary  
26 who by ~~his~~ **THE PERSON'S** occupation holds ~~himself~~ **ITSELF** out as  
27 having ~~such~~ **THAT** knowledge or skill.

1           (2) "Financing agency" means a bank, finance company, or  
 2 other person ~~who~~**THAT** in the ordinary course of business makes  
 3 advances against goods or documents of title or ~~who~~**THAT** by  
 4 arrangement with either the seller or the buyer intervenes in  
 5 ordinary course to make or collect payment due or claimed under  
 6 the contract for sale, as by purchasing or paying the sellers  
 7 draft or making advances against it or by merely taking it for  
 8 collection whether or not documents of title accompany **OR ARE**  
 9 **ASSOCIATED WITH** the draft. "Financing agency" includes also a  
 10 bank or other person ~~who~~**THAT** similarly intervenes between  
 11 persons ~~who~~**THAT** are in the position of seller and buyer in  
 12 respect to the goods **UNDER** (~~section 2707.~~ )

13           (3) "Between merchants" means in any transaction with  
 14 respect to which both parties are chargeable with the knowledge  
 15 or skill of merchants.

16           Sec. 2310. Unless otherwise agreed, **ALL OF THE FOLLOWING**  
 17 **APPLY:**

18           (a) ~~payment~~**PAYMENT** is due at the time and place at which  
 19 the buyer is to receive the goods even ~~though~~**IF** the place of  
 20 shipment is the place of delivery. ~~and~~

21           (b) ~~if~~**IF** the seller is authorized to send the goods, ~~he~~**THE**  
 22 **SELLER** may ship them under reservation, and may tender the  
 23 documents of title, but the buyer may inspect the goods after  
 24 their arrival before payment is due unless ~~such~~**THAT** inspection  
 25 is inconsistent with the terms of the contract **PURSUANT TO** (~~and~~  
 26 section 2513. )

27           (c) ~~if~~**IF** delivery is authorized and made by way of

1 documents of title otherwise than by ~~subsection~~ **SUBDIVISION** (b),  
 2 then payment is due at ~~REGARDLESS OF WHERE THE GOODS ARE TO BE~~  
 3 **RECEIVED AT 1 OF THE FOLLOWING TIMES, AS APPLICABLE:**

4 (i) **AT** the time and place at which the buyer is to receive  
 5 **DELIVERY OF** the **TANGIBLE** documents. ~~regardless of where the goods~~  
 6 ~~are to be received; and~~

7 (ii) **AT THE TIME THE BUYER IS TO RECEIVE DELIVERY OF THE**  
 8 **ELECTRONIC DOCUMENTS AND AT THE SELLER'S PLACE OF BUSINESS OR IF**  
 9 **NONE, THE SELLER'S RESIDENCE.**

10 (d) ~~where~~ **IF** the seller is required or authorized to ship  
 11 the goods on credit, the credit period runs from the time of  
 12 shipment but postdating the invoice or delaying its dispatch will  
 13 correspondingly delay the starting of the credit period.

14 Sec. 2323. (1) ~~Where the~~ **IF A** contract contemplates overseas  
 15 shipment and contains a term C.I.F. or C. & F. or F.O.B. vessel,  
 16 the seller unless otherwise agreed must obtain a negotiable bill  
 17 of lading stating that the goods have been loaded on board or, in  
 18 the case of a term C.I.F. or C. & F., received for shipment.

19 (2) ~~Where in a case within~~ **IN CONNECTION WITH A CONTRACT**  
 20 **SUBJECT TO** subsection (1), **IF** a **TANGIBLE** bill of lading ~~has been~~  
 21 **IS** issued in a set of parts, unless otherwise agreed if the  
 22 documents are not to be sent from abroad the buyer may demand  
 23 tender of the full set; otherwise only one part of the bill of  
 24 lading ~~need~~ **MUST** be tendered. Even if the agreement expressly  
 25 requires a full set, **BOTH OF THE FOLLOWING APPLY:**

26 (a) ~~due~~ **DUE** tender of a single part is acceptable within the  
 27 provisions ~~of this article on~~ **CONCERNING** cure of improper

1 delivery ~~(subsection (1) of section 2508); and~~ **UNDER SECTION**  
 2 **2508(1)**.

3 (b) ~~even though the~~ **EVEN IF A** full set is demanded, if the  
 4 documents are sent from abroad the person tendering an incomplete  
 5 set may nevertheless require payment upon furnishing an indemnity  
 6 which the buyer in good faith deems adequate.

7 (3) A shipment by water or by air or a contract  
 8 contemplating such shipment is "overseas" insofar as by usage of  
 9 trade or agreement it is subject to the commercial, financing, or  
 10 shipping practices characteristic of international deep water  
 11 commerce.

12 Sec. 2401. Each provision of this article with regard to the  
 13 rights, obligations, and remedies of the seller, the buyer,  
 14 purchasers, or other third parties applies irrespective of title  
 15 to the goods except where the provisions refers to ~~such~~ **THE**  
 16 title. ~~Insofar as~~ **IN** situations **THAT** are not covered by the other  
 17 provisions of this article and matters concerning title become  
 18 material, the following rules apply:

19 **(A)** ~~(1)~~ Title to goods cannot pass under a contract for sale  
 20 ~~prior to~~ **BEFORE** their identification to the contract **UNDER** ~~(~~  
 21 section 2501, ~~)~~, and unless otherwise explicitly agreed the buyer  
 22 acquires by their identification a special property as limited by  
 23 this act. Any retention or reservation by the seller of the title  
 24 (property) in goods shipped or delivered to the buyer is limited  
 25 in effect to a reservation of a security interest. Subject to  
 26 these provisions and to the provisions of ~~the article on secured~~  
 27 ~~transactions~~ ~~(article 9, )~~, title to goods passes from the

1 seller to the buyer in any manner and on any conditions  
2 explicitly agreed on by the parties.

3       (B) ~~(2)~~—Unless otherwise explicitly agreed title passes to  
4 the buyer at the time and place at which the seller completes ~~his~~  
5 **ITS** performance with reference to the physical delivery of the  
6 goods, despite any reservation of a security interest and even  
7 ~~though~~ **IF** a document of title is to be delivered at a different  
8 time or place. ~~and in~~ **IN** particular and despite any reservation  
9 of a security interest by the bill of lading, **BOTH OF THE**  
10 **FOLLOWING APPLY:**

11       (i) ~~(a)~~ **UNLESS SUBPARAGRAPH (ii) APPLIES**, if the contract  
12 requires or authorizes the seller to send the goods to the buyer  
13 but does not require ~~him~~ **THE SELLER** to deliver them at  
14 destination, title passes to the buyer at the time and place of  
15 shipment. ~~but~~

16       (ii) ~~(b)~~ **if** **IF** the contract requires delivery at destination,  
17 title passes on tender there.

18       (C) ~~(3)~~—Unless otherwise explicitly agreed where delivery is  
19 to be made without moving the goods, **1 OF THE FOLLOWING APPLIES:**

20       (i) ~~(a)~~ **if** **IF** the seller is to deliver a **TANGIBLE** document of  
21 title, title passes at the time when and the place where ~~he~~ **THE**  
22 **SELLER** delivers ~~such documents,~~ **or** **THE DOCUMENT OF TITLE.**

23       (ii) **IF THE SELLER IS TO DELIVER AN ELECTRONIC DOCUMENT OF**  
24 **TITLE, TITLE PASSES WHEN THE SELLER DELIVERS THE DOCUMENT.**

25       (iii) ~~(b)~~ **if** **IF** the goods are at the time of contracting  
26 already identified and no documents **OF TITLE** are to be delivered,  
27 title passes at the time and place of contracting.

1           (D) ~~(4)~~ A rejection or other refusal by the buyer to receive  
 2 or retain the goods, whether or not justified, or a justified  
 3 revocation of acceptance revests title to the goods in the  
 4 seller. ~~Such re-vesting~~ **REVESTING OF TITLE UNDER THIS SUBDIVISION**  
 5 occurs by operation of law and is not a "sale".

6           Sec. 2503. (1) Tender of delivery requires that the seller  
 7 put and hold conforming goods at the buyer's disposition and give  
 8 the buyer any notification reasonably necessary to enable ~~him~~ **THE**  
 9 **BUYER** to take delivery. The manner, time, and place for tender  
 10 are determined by the agreement and this article, and in  
 11 particular **ALL OF THE FOLLOWING APPLY:**

12           (a) ~~tender~~ **TENDER** must be at a reasonable hour, and if it is  
 13 **A TENDER** of goods, ~~they~~ **THE GOODS** must be kept available for the  
 14 period reasonably necessary to enable the buyer to take  
 15 possession. ~~;~~ ~~but~~

16           (b) ~~unless~~ **UNLESS** otherwise agreed, the buyer must furnish  
 17 facilities reasonably suited to the receipt of the goods.

18           (2) ~~Where the case is within the next section respecting~~ **IF**  
 19 **SECTION 2504 APPLIES TO A** shipment, tender requires that the  
 20 seller comply with ~~its provisions~~ **THAT SECTION**.

21           (3) ~~Where the~~ **IF A** seller is required to deliver at a  
 22 particular destination, tender requires that ~~he~~ **THE SELLER** comply  
 23 with subsection (1) and also, ~~in any appropriate case~~ **IF**  
 24 **APPROPRIATE**, tender documents as described in subsections (4) and  
 25 (5). ~~of this section.~~

26           (4) ~~Where~~ **IF** goods are in the possession of a bailee and are  
 27 to be delivered without being moved, **BOTH OF THE FOLLOWING APPLY:**

1 (a) **EXCEPT AS PROVIDED IN SUBDIVISION (B)**, tender requires  
 2 that the seller either tender a negotiable document of title  
 3 covering ~~such~~**THE** goods or procure acknowledgment by the bailee  
 4 of the buyer's right to possession of the goods. ~~;~~~~but~~

5 (b) ~~tender~~**TENDER** to the buyer of a ~~non-negotiable~~  
 6 **NONNEGOTIABLE** document of title or of a ~~written direction to~~  
 7 **RECORD DIRECTING** the bailee to deliver is sufficient tender  
 8 unless the buyer seasonally objects, and **EXCEPT AS OTHERWISE**  
 9 **PROVIDED IN ARTICLE 9**, receipt by the bailee of notification of  
 10 the buyer's rights fixes those rights as against the bailee and  
 11 all third persons. ~~;~~~~but~~**HOWEVER**, risk of loss of the goods and  
 12 of any failure by the bailee to honor the ~~non-negotiable~~  
 13 **NONNEGOTIABLE** document of title or to obey the direction remains  
 14 on the seller until the buyer has had a reasonable time to  
 15 present the document or direction, and a refusal by the bailee to  
 16 honor the document or to obey the direction defeats the tender.

17 (5) ~~Where~~**BOTH OF THE FOLLOWING APPLY IF** the contract  
 18 requires the seller to deliver documents:

19 (a) ~~he~~**THE SELLER** must tender all ~~such~~**THE** documents in  
 20 correct form, except as provided in ~~this article~~**SECTION 2323 (2)**  
 21 with respect to bills of lading in a set. ~~(subsection (2) of~~  
 22 ~~section 2323);~~ and

23 (b) ~~tender~~**TENDER** through customary banking channels is  
 24 sufficient and dishonor of a draft accompanying **OR ASSOCIATED**  
 25 **WITH** the documents constitutes nonacceptance or rejection.

26 Sec. 2505. (1) ~~Where the~~**BOTH OF THE FOLLOWING APPLY IF A**  
 27 seller has identified goods to ~~the~~**A** contract by or before



1 shipment:

2 (a) ~~his~~**THE SELLER'S** procurement of a negotiable bill of  
3 lading to ~~his~~**THE SELLER'S** own order or otherwise reserves in ~~him~~  
4 **THE SELLER** a security interest in the goods. ~~His~~**THE SELLER'S**  
5 procurement of the bill to the order of a financing agency or of  
6 the buyer indicates in addition only the seller's expectation of  
7 transferring that interest to the person named.

8 (b) ~~a non-negotiable~~**A NONNEGOTIABLE** bill of lading to  
9 ~~himself or his~~**THE SELLER OR THE SELLER'S** nominee reserves  
10 possession of the goods as security. ~~but~~**HOWEVER**, except in a  
11 case of conditional delivery (~~subsection (2) of section 2507~~)~~a~~  
12 ~~non-negotiable~~**UNDER SECTION 2507(2), A NONNEGOTIABLE** bill of  
13 lading naming the buyer as consignee ~~reserves no~~**DOES NOT RESERVE**  
14 **A** security interest even ~~though~~**IF** the seller retains possession  
15 **OR CONTROL** of the bill of lading.

16 (2) ~~When~~**IF A** shipment by ~~the~~**A** seller with reservation of a  
17 security interest is in violation of the contract for sale, it  
18 constitutes an improper contract for transportation within ~~the~~  
19 ~~preceding~~**section 2504** but ~~impairs neither~~**IT DOES NOT IMPAIR** the  
20 rights given to the buyer by shipment and identification of the  
21 goods to the contract ~~nor~~**OR IMPAIR** the seller's powers as a  
22 holder of a negotiable document **OF TITLE**.

23 Sec. 2506. (1) A financing agency by paying or purchasing  
24 for value a draft ~~which~~**THAT** relates to a shipment of goods  
25 acquires to the extent of the payment or purchase and in addition  
26 to its own rights under the draft and any document of title  
27 securing it any rights of the shipper in the goods including the

1 right to stop delivery and the shipper's right to have the draft  
2 honored by the buyer.

3 (2) The right to reimbursement of a financing agency ~~which~~  
4 **THAT** has in good faith honored or purchased the draft under  
5 commitment to or authority from the buyer is not impaired by  
6 subsequent discovery of defects with reference to any relevant  
7 document which was apparently regular. ~~on its face.~~

8 Sec. 2509. (1) ~~Where the~~ **THE FOLLOWING APPLY IF A** contract  
9 requires or authorizes the seller to ship ~~the~~ goods by carrier:

10 (a) ~~if it~~ **IF THE CONTRACT** does not require ~~him~~ **THE SELLER** to  
11 deliver ~~them~~ **THE GOODS** at a particular destination, the risk of  
12 loss passes to the buyer when the goods are duly delivered to the  
13 carrier even ~~though~~ **IF** the shipment is under reservation **UNDER** ~~(~~  
14 section 2505. ~~); but~~

15 (b) ~~if it~~ **IF THE CONTRACT** does require ~~him~~ **THE SELLER** to  
16 deliver ~~them~~ **THE GOODS** at a particular destination and the goods  
17 are ~~there duly~~ tendered **TO THE BUYER AT THAT DESTINATION** while in  
18 the possession of the carrier, the risk of loss passes to the  
19 buyer when the goods are ~~there duly so~~ tendered ~~as to enable~~ **AT**  
20 **THAT DESTINATION IN A MANNER THAT ENABLES** the buyer to take  
21 delivery.

22 (2) ~~Where the~~ **IF** goods are held by a bailee to be delivered  
23 without being moved, the risk of loss passes to the buyer **WHEN 1**  
24 **OF THE FOLLOWING OCCURS:**

25 (a) ~~on his receipt~~ **THE BUYER RECEIVES POSSESSION OR CONTROL**  
26 of a negotiable document of title covering the goods. ~~or~~

27 (b) ~~on acknowledgment by the~~ **THE** bailee **PROVIDES**

1 **ACKNOWLEDGEMENT** of the buyer's right to possession of the goods.

2 ~~7-08~~

3 (c) ~~after his receipt of a non negotiable~~ **THE BUYER RECEIVES**  
 4 **POSSESSION OR CONTROL OF A NONNEGOTIABLE** document of title or  
 5 other ~~written~~ direction to deliver **IN A RECORD**, as provided in  
 6 ~~subsection (4) (b) of section 2503~~ **2503 (4) (B)** .

7 (3) ~~In any case not within~~ **IF** subsection (1) or (2) **DOES NOT**  
 8 **APPLY**, the risk of loss passes to the buyer on ~~his~~ **THE BUYER'S**  
 9 receipt of the goods if the seller is a merchant. ~~7- otherwise~~  
 10 **OTHERWISE**, the risk **OF LOSS** passes to the buyer on tender of  
 11 delivery.

12 (4) The provisions of this section are subject to contrary  
 13 agreement of the parties and to the provisions of ~~this article~~  
 14 **SECTION 2327** on sale on approval (~~section 2327~~) and **SECTION 2510**  
 15 on effect of breach on risk of loss. (~~section 2510~~).

16 Sec. 2605. (1) ~~The~~ **A** buyer's failure to state in connection  
 17 with rejection a particular defect ~~which~~ **THAT** is ascertainable by  
 18 reasonable inspection precludes ~~him~~ **THE BUYER** from relying on the  
 19 unstated defect to justify rejection or to establish breach **IF**  
 20 **EITHER OF THE FOLLOWING APPLIES:**

21 (a) ~~where the~~ **THE** seller could have cured ~~it~~ **THE DEFECT** if  
 22 **THE BUYER** stated **THE DEFECT** seasonably. ~~7- or~~

23 (b) ~~between~~ **BETWEEN** merchants, ~~when~~ **IF** the seller ~~has~~ after  
 24 rejection ~~made~~ **MAKES** a request in writing for a full and final  
 25 written statement of all defects on which the buyer proposes to  
 26 rely.

27 (2) Payment against documents made without reservation of

1 rights precludes recovery of the payment for defects apparent ~~on~~  
 2 ~~the face of~~ **IN** the documents.

3       Sec. 2705. (1) ~~The~~ **A** seller may stop delivery of goods in  
 4 the possession of a carrier or other bailee ~~when he~~ **IF THE SELLER**  
 5 discovers the buyer to be insolvent **UNDER** ~~(section 2702 )~~ and  
 6 may stop delivery of carload, truckload, planeload, or larger  
 7 shipments of express or freight ~~when~~ **IF** the buyer repudiates or  
 8 fails to make a payment due before delivery or if for any other  
 9 reason the seller has a right to withhold or reclaim the goods.

10       (2) As against ~~such~~ **A** buyer **DESCRIBED IN SUBSECTION (1)**, the  
 11 seller may stop delivery until **1 OF THE FOLLOWING OCCURS:**

12       (a) ~~receipt~~ **RECEIPT** of the goods by the buyer. ~~+~~ ~~or~~

13       (b) ~~acknowledgment~~ **ACKNOWLEDGEMENT** to the buyer by ~~any~~ **A**  
 14 bailee of the goods except a carrier that the bailee holds the  
 15 goods for the buyer. ~~+~~ ~~or~~

16       (c) ~~such~~ **AN** acknowledgment to the buyer by a carrier by  
 17 reshipment or as ~~warehouseman,~~ ~~or~~ **A WAREHOUSE THAT THE CARRIER**  
 18 **HOLDS THE GOODS FOR THE BUYER.**

19       (d) ~~negotiation~~ **NEGOTIATION** to the buyer of ~~any~~ **A** negotiable  
 20 document of title covering the goods.

21       (3) ~~(3)(a) To stop delivery the~~ **ALL OF THE FOLLOWING MUST BE**  
 22 **MET TO STOP DELIVERY UNDER THIS SECTION:**

23       **(A)** THE seller must ~~so~~ notify **THE BAILEE SO** as to enable the  
 24 bailee by reasonable diligence to prevent delivery of the goods.

25       (b) After ~~such~~ notification **UNDER SUBDIVISION (A)**, the  
 26 bailee must hold and deliver the goods according to the  
 27 directions of the seller but the seller is liable to the bailee

1 for any ensuing charges or damages.

2 (c) If a negotiable document of title has been issued for  
3 goods, the bailee is not obliged to obey a notification to stop  
4 until surrender **OF POSSESSION OR CONTROL** of the document.

5 (d) A carrier ~~who~~**THAT** has issued a ~~non-negotiable~~  
6 **NONNEGOTIABLE** bill of lading is not obliged to obey a  
7 notification to stop received from a person other than the  
8 consignor.

9 Sec. 2A103. (1) In this article unless the context otherwise  
10 requires:

11 (a) "Buyer in ordinary course of business" means a person  
12 who in good faith and without knowledge that the sale to him or  
13 her is in violation of the ownership rights or security interest  
14 or leasehold interest of a third party in the goods buys in  
15 ordinary course from a person in the business of selling goods of  
16 that kind. ~~but~~**THE TERM** does not include a pawnbroker. "Buying"  
17 may be for cash or by exchange of other property or on secured or  
18 unsecured credit and includes ~~receiving~~**ACQUIRING** goods or  
19 documents of title under a pre-existing contract for sale but  
20 does not include a transfer in bulk or as security for or in  
21 total or partial satisfaction of a money debt.

22 (b) "Cancellation" occurs when either party puts an end to  
23 the lease contract for default by the other party.

24 (c) "Commercial unit" means ~~such~~a unit of goods ~~as~~**THAT** by  
25 commercial usage is a single whole for purposes of lease and  
26 division of which materially impairs its character or value on  
27 the market or in use. A commercial unit may be a single article,

1 as a machine, or a set of articles, as a suite of furniture or a  
2 line of machinery, or a quantity, as a gross or carload, or any  
3 other unit treated in use or in the relevant market as a single  
4 whole.

5 (d) "Conforming" means goods or performance under a lease  
6 contract that are in accordance with the obligations under the  
7 lease contract.

8 (e) "Consumer lease" means a lease that a lessor regularly  
9 engaged in the business of leasing or selling makes to a lessee  
10 who is an individual and who takes under the lease primarily for  
11 a personal, family, or household purpose, if the total payments  
12 to be made under the lease contract, excluding payments for  
13 options to renew or buy, do not exceed \$25,000.00.

14 (f) "Fault" means wrongful act, omission, breach, or  
15 default.

16 (g) "Finance lease" means a lease with respect to which all  
17 of the following apply:

18 (i) The lessor does not select, manufacture, or supply the  
19 goods.

20 (ii) The lessor acquires the goods or the right to possession  
21 and use of the goods in connection with the lease.

22 (iii) One of the following occurs:

23 (A) The lessee receives a copy of the contract by which the  
24 lessor acquired the goods or the right to possession and use of  
25 the goods before signing the lease contract.

26 (B) The lessee's approval of the contract by which the  
27 lessor acquired the goods or the right to possession and use of

1 the goods is a condition to effectiveness of the lease contract.

2 (C) The lessee, before signing the lease contract, receives  
3 an accurate and complete statement designating the promises and  
4 warranties, and any disclaimers of warranties, limitations or  
5 modifications of remedies, or liquidated damages, including those  
6 of a third party, such as the manufacturer of the goods, provided  
7 to the lessor by the person supplying the goods in connection  
8 with or as part of the contract by which the lessor acquired the  
9 goods or the right to possession and use of the goods.

10 (D) If the lease is not a consumer lease, the lessor, before  
11 the lessee signs the lease contract, informs the lessee in  
12 writing of the following:

13 (I) The identity of the person supplying the goods to the  
14 lessor, unless the lessee has selected that person and directed  
15 the lessor to acquire the goods or the right to possession and  
16 use of the goods from that person.

17 (II) The lessee is entitled under this article to the  
18 promises and warranties, including those of any third party,  
19 provided to the lessor by the person supplying the goods in  
20 connection with or as part of the contract by which the lessor  
21 acquired the goods or the right to possession and use of the  
22 goods.

23 (III) The lessee may communicate with the person supplying  
24 the goods to the lessor and receive an accurate and complete  
25 statement of those promises and warranties, including any  
26 disclaimers and limitations of them or of remedies.

27 (h) "Goods" means all things that are movable at the time of

1 identification to the lease contract, or are fixtures **UNDER** ←  
2 section 2A309, ~~),~~ but the term does not include money, documents,  
3 instruments, accounts, chattel paper, general intangibles, or  
4 minerals or the like, including oil and gas, before extraction.  
5 The term also includes the unborn young of animals.

6 (i) "Installment lease contract" means a lease contract that  
7 authorizes or requires the delivery of goods in separate lots to  
8 be separately accepted, even though the lease contract contains a  
9 clause "each delivery is a separate lease" or its equivalent.

10 (j) "Lease" means a transfer of the right to possession and  
11 use of goods for a term in return for consideration, but a sale,  
12 including a sale on approval or a sale or return, or retention or  
13 creation of a security interest is not a lease. Unless the  
14 context clearly indicates otherwise, the term includes a  
15 sublease.

16 (k) "Lease agreement" means the bargain, with respect to the  
17 lease, of the lessor and the lessee in fact as found in their  
18 language or by implication from other circumstances including  
19 course of dealing or usage of trade or course of performance as  
20 provided in this article. Unless the context clearly indicates  
21 otherwise, the term includes a sublease agreement.

22 (l) "Lease contract" means the total legal obligation that  
23 results from the lease agreement as affected by this article and  
24 any other applicable rules of law. Unless the context clearly  
25 indicates otherwise, the term includes a sublease contract.

26 (m) "Leasehold interest" means the interest of the lessor or  
27 the lessee under a lease contract.



1           (n) "Lessee" means a person who acquires the right to  
2 possession and use of goods under a lease. Unless the context  
3 clearly indicates otherwise, the term includes a sublessee.

4           (o) "Lessee in ordinary course of business" means a person  
5 who in good faith and without knowledge that the lease to him or  
6 her is in violation of the ownership rights or security interest  
7 or leasehold interest of a third party in the goods leases in  
8 ordinary course from a person in the business of selling or  
9 leasing goods of that kind but does not include a pawnbroker.

10 "Leasing" may be for cash or by exchange of other property or on  
11 secured or unsecured credit and includes ~~receiving~~ **ACQUIRING**  
12 goods or documents of title under a pre-existing lease contract  
13 but does not include a transfer in bulk or as security for or in  
14 total or partial satisfaction of a money debt.

15           (p) "Lessor" means a person who transfers the right to  
16 possession and use of goods under a lease. Unless the context  
17 clearly indicates otherwise, the term includes a sublessor.

18           (q) "Lessor's residual interest" means the lessor's interest  
19 in the goods after expiration, termination, or cancellation of  
20 the lease contract.

21           (r) "Lien" means a charge against or interest in goods to  
22 secure payment of a debt or performance of an obligation, but the  
23 term does not include a security interest.

24           (s) "Lot" means a parcel or a single article that is the  
25 subject matter of a separate lease or delivery, whether or not it  
26 is sufficient to perform the lease contract.

27           (t) "Merchant lessee" means a lessee that is a merchant with

1 respect to goods of the kind subject to the lease.

2 (u) "Present value" means the amount as of a date certain of  
3 1 or more sums payable in the future, discounted to the date  
4 certain. The discount is determined by the interest rate  
5 specified by the parties if the rate was not manifestly  
6 unreasonable at the time the transaction was entered into;  
7 otherwise, the discount is determined by a commercially  
8 reasonable rate that takes into account the facts and  
9 circumstances of each case at the time the transaction was  
10 entered into.

11 (v) "Purchase" includes taking by sale, lease, mortgage,  
12 security interest, pledge, gift, or any other voluntary  
13 transaction creating an interest in goods.

14 (w) "Sublease" means a lease of goods the right to  
15 possession and use of which was acquired by the lessor as a  
16 lessee under an existing lease.

17 (x) "Supplier" means a person from whom a lessor buys or  
18 leases goods to be leased under a finance lease.

19 (y) "Supply contract" means a contract under which a lessor  
20 buys or leases goods to be leased.

21 (z) "Termination" occurs when either party pursuant to a  
22 power created by agreement or law puts an end to the lease  
23 contract otherwise than for default.

24 (2) Other definitions applying to this article and the  
25 sections in which they appear are:

26 "Accessions".

Section ~~2A310(1)~~. **2A310.**

1	"Construction mortgage".	Section <del>2A309(1)(d)</del> . <b>2A309.</b>
2	"Encumbrance".	Section <del>2A309(1)(e)</del> . <b>2A309.</b>
3	"Fixtures".	Section <del>2A309(1)(a)</del> . <b>2A309.</b>
4	"Fixture filing".	Section <del>2A309(1)(b)</del> . <b>2A309.</b>
5	"Purchase money lease".	Section <del>2A309(1)(e)</del> . <b>2A309.</b>

6 (3) The following definitions in other articles apply to  
7 this article:

8	"Account".	Section <del>9102(1)(b)</del> . <b>9102.</b>
9	"Between merchants".	Section <del>2104(3)</del> . <b>2104.</b>
10	"Buyer".	Section <del>2103(1)(a)</del> . <b>2103.</b>
11	"Chattel paper".	Section <del>9102(1)(k)</del> . <b>9102.</b>
12	"Consumer goods".	Section <del>9102(1)(w)</del> . <b>9102.</b>
13	"Document".	Section <del>9102(1)(dd)</del> . <b>9102.</b>
14	"Entrusting".	Section <del>2403(3)</del> . <b>2403.</b>
15	"General intangible".	Section <del>9102(1)(pp)</del> . <b>9102.</b>
16	"Good faith".	Section <del>2103(1)(b)</del> . <b>2103.</b>
17	"Instrument".	Section <del>9102(1)(uu)</del> . <b>9102.</b>
18	"Merchant".	Section <del>2104(1)</del> . <b>2104.</b>
19	"Mortgage".	Section <del>9102(1)(eee)</del> . <b>9102.</b>
20	"Pursuant to commitment".	Section <del>9102(1)(sss)</del> . <b>9102.</b>
21	"Receipt".	Section <del>2103(1)(e)</del> . <b>2103.</b>
22	"Sale".	Section <del>2106(1)</del> . <b>2106.</b>
23	"Sale on approval".	Section 2326.
24	"Sale or return".	Section 2326.
25	"Seller".	Section <del>2103(1)(d)</del> . <b>2103.</b>

26 (4) In addition, article 1 contains general definitions and  
27 principles of construction and interpretation applicable  
28 throughout this article.

1           Sec. 2A514. (1) In rejecting goods, a lessee's failure to  
2 state a particular defect that is ascertainable by reasonable  
3 inspection precludes the lessee from relying on the defect to  
4 justify rejection or to establish default ~~(i)~~ if **EITHER OF THE**  
5 **FOLLOWING APPLIES:**

6           **(A) IF**, stated seasonably, the lessor or the supplier could  
7 have cured it, ~~or (ii) between~~ **THE DEFECT.**

8           **(B) BETWEEN** merchants, if the lessor or the supplier after  
9 rejection has made a request in writing for a full and final  
10 written statement of all defects on which the lessee proposes to  
11 rely.

12           (2) A lessee's failure to reserve rights when paying rent or  
13 other consideration against documents precludes recovery of the  
14 payment for defects apparent ~~on the face of~~ **IN** the documents.

15           Sec. 2A526. (1) A lessor may stop delivery of goods in the  
16 possession of a carrier or other bailee if the lessor discovers  
17 the lessee ~~to be~~ **IS** insolvent and may stop delivery of carload,  
18 truckload, planeload, or larger shipments of express or freight  
19 if the lessee repudiates or fails to make a payment due before  
20 delivery, whether for rent, security, or otherwise under the  
21 lease contract, or for any other reason the lessor has a right to  
22 withhold or take possession of the goods.

23           (2) In pursuing its remedies under subsection (1), the  
24 lessor may stop delivery until 1 of the following **OCCURS:**

25           (a) Receipt of the goods by the lessee.

26           (b) Acknowledgment to the lessee by any bailee of the goods,  
27 except a carrier, that the bailee holds the goods for the lessee.

1 (c) An acknowledgment to the lessee by a carrier via  
2 reshipment or as ~~warehouseperson~~ **A WAREHOUSE**.

3 (3) To stop delivery **UNDER THIS SECTION**, a lessor shall ~~se~~  
4 notify **THE BAILEE SO** as to enable the bailee by reasonable  
5 diligence to prevent delivery of the goods.

6 (4) After notification **UNDER SUBSECTION (3)**, the bailee  
7 shall hold and deliver the goods according to the directions of  
8 the lessor, but the lessor is liable to the bailee for any  
9 ensuing charges or damages.

10 (5) A carrier who has issued a nonnegotiable bill of lading  
11 is not obliged to obey a notification to stop received from a  
12 person other than the consignor.

13 Sec. 4104. (1) As used in this article unless the context  
14 otherwise requires:

15 (a) "Account" means any depositor credit account with a  
16 bank, including a demand, time, savings, passbook, share draft,  
17 or like account, other than an account evidenced by a certificate  
18 of deposit.

19 (b) "Afternoon" means the period of a day between noon and  
20 midnight.

21 (c) "Banking day" means the part of a day on which a bank is  
22 open to the public for carrying on substantially all of its  
23 banking functions.

24 (d) "Clearing-house" means an association of banks or other  
25 payors regularly clearing items.

26 (e) "Customer" means any person having an account with a  
27 bank or for whom a bank has agreed to collect items, including a

1 bank that maintains an account at another bank.

2 (f) "Documentary draft" means a draft to be presented for  
3 acceptance or payment if specified documents, certificated  
4 securities ~~—AS DEFINED IN (section 8102 )~~—or instructions for  
5 uncertificated securities **AS DEFINED IN (section 8102, )**—or  
6 other certificates, statements, or the like are to be received by  
7 the drawee or other payor before acceptance or payment of the  
8 draft.

9 (g) "Draft" means a draft as defined in section 3104 or an  
10 item, other than an instrument, that is an order.

11 (h) "Drawee" means a person ordered in a draft to make  
12 payment.

13 (i) "Item" means an instrument or a promise or order to pay  
14 money handled by a bank for collection or pay. The term does not  
15 include a payment order governed by article 2a or a credit or  
16 debit card slip.

17 (j) "Midnight deadline" with respect to a bank is midnight  
18 on its next banking day following the banking day on which it  
19 receives the relevant item or notice or from which the time for  
20 taking action commences to run, whichever is later.

21 (k) "Settle" means to pay in cash, by clearing-house  
22 settlement, in a charge or credit or by remittance, or otherwise  
23 as agreed. A settlement may be either provisional or final.

24 (l) "Suspends payments" with respect to a bank means that it  
25 has been closed by order of the supervisory authorities, that a  
26 public officer has been appointed to take it over or that it  
27 ceases or refuses to make payments in the ordinary course of

1 business.

2 (2) Other definitions applying to this article and the  
3 sections in which they appear are:

4	"Agreement for electronic presentment".	Section 4110.
5	"Bank".	Section 4105.
6	"Collecting bank".	Section 4105.
7	"Depositary bank".	Section 4105.
8	"Intermediary bank".	Section 4105.
9	"Payor bank".	Section 4105.
10	"Presenting bank".	Section 4105.
11	"Presentment notice".	Section 4110.

12 (3) ~~The~~ **"CONTROL" AS PROVIDED IN SECTION 7106 AND THE**  
13 following definitions in other articles apply to this article:

14	"Acceptance".	Section 3409.
15	"Alteration".	Section 3409.
16	"Certificate of deposit".	Section 3104.
17	"Cashier's check".	Section 3104.
18	"Certified check".	Section 3409.
19	"Check".	Section 3104.
20	"Draft".	Section 3104.
21	<del>"Good faith".</del>	<del>Section 3103.</del>
22	"Holder in due course".	Section 3302.
23	"Instrument".	Section 3104.
24	"Notice of dishonor".	Section 3503.
25	"Order".	Section 3103.
26	"Ordinary care".	Section 3103.
27	"Person entitled to enforce".	Section 3301.

1	"Presentment".	Section 3501.
2	"Promise".	Section 3103.
3	"Prove".	Section 3103.
4	"Teller's check".	Section 3104.
5	"Unauthorized signature".	Section 3403.

6 (4) In addition, article 1 contains general definitions and  
7 principles of construction and interpretation applicable  
8 throughout this article.

9 Sec. 4210. (1) A collecting bank has a security interest in  
10 an item and any accompanying documents or the proceeds of any of  
11 the following:

12 (a) ~~In case of IF~~ an item **IS** deposited in an account, to the  
13 extent to which credit given for the item has been withdrawn or  
14 applied.

15 (b) ~~In case of IF~~ an item for which it has given credit **IS**  
16 available for withdrawal as of right, to the extent of the credit  
17 given whether or not the credit is drawn upon and whether or not  
18 there is a right of charge-back.

19 (c) If it makes an advance on or against the item.

20 (2) If credit given for several items received at one time  
21 or pursuant to a single agreement is withdrawn or applied in part  
22 the security interest remains upon all the items, any  
23 accompanying documents or the proceeds of either. For the purpose  
24 of this section, credits first given are first withdrawn.

25 (3) Receipt by a collecting bank of a final settlement for  
26 an item is a realization on its security interest in the item,  
27 accompanying documents and proceeds. So long as the bank does not



1 receive final settlement for the item or give up possession of  
 2 the item or **POSSESSION OR CONTROL OF THE** accompanying documents  
 3 for purposes other than collection, the security interest  
 4 continues to that extent and is subject to article 9 except for  
 5 the following:

6 (a) ~~No~~**A** security agreement is **NOT** necessary to make the  
 7 security interest enforceable **UNDER** ~~(section 9203(2)(c)(i)).~~

8 (b) ~~No~~**A** filing is **NOT** required to perfect the security  
 9 interest.

10 (c) The security interest has priority over conflicting  
 11 perfected security interests in the item, accompanying documents,  
 12 or proceeds.

13 Sec. 7101. This article shall be known and may be cited as  
 14 "uniform commercial code~~documents~~ of title".

15 Sec. 7102. (1) ~~In~~**AS USED IN** this article, unless the  
 16 context otherwise requires:

17 (a) "Bailee" means ~~the~~**A** person ~~who~~**THAT** by a warehouse  
 18 receipt, bill of lading, or other document of title acknowledges  
 19 possession of goods and contracts to deliver them.

20 (B) **"CARRIER" MEANS A PERSON THAT ISSUES A BILL OF LADING.**

21 (C) ~~(b)~~**"Consignee"** means ~~the~~**A** person named in a bill **OF**  
 22 **LADING** to ~~whom~~**WHICH** or to whose order the bill promises  
 23 delivery.

24 (D) ~~(e)~~**"Consignor"** means ~~the~~**A** person named in a bill **OF**  
 25 **LADING** as the person from ~~whom~~**WHICH** the goods have been received  
 26 for shipment.

27 (E) ~~(d)~~**"Delivery order"** means a ~~written~~**RECORD THAT**

1 **CONTAINS AN** order to deliver goods directed to a warehouseman,  
2 carrier, or other person ~~who~~**THAT** in the ordinary course of  
3 business issues warehouse receipts or bills of lading.

4 ~~—— (c) "Document" means document of title as defined in the~~  
5 ~~general definitions in article 1 (section 1201).~~

6 **(F) "GOOD FAITH" MEANS HONESTY IN FACT AND THE OBSERVANCE OF**  
7 **REASONABLE COMMERCIAL STANDARDS OF FAIR DEALING.**

8 **(G)** ~~(f)~~"Goods" means all things ~~which~~**THAT** are treated as  
9 movable for the purposes of a contract ~~of~~**FOR** storage or  
10 transportation.

11 **(H)** ~~(g)~~"Issuer" means a bailee ~~who~~**THAT** issues a document  
12 ~~except that in relation to~~**OF TITLE OR, IN THE CASE OF** an  
13 unaccepted delivery order, ~~it means the person who~~**THAT** orders  
14 the possessor of goods to deliver. ~~Issuer~~**THE TERM** includes any  
15 person for ~~whom~~**WHICH** an agent or employee purports to act in  
16 issuing a document if the agent or employee has real or apparent  
17 authority to issue documents, ~~notwithstanding that~~**EVEN IF** the  
18 issuer ~~received no~~**DID NOT RECEIVE ANY** goods, ~~or that~~ the goods  
19 were misdescribed, or ~~that~~ in any other respect the agent or  
20 employee violated ~~his~~**THE ISSUER'S** instructions.

21 ~~—— (h) "Warehouseman" is a person engaged in the business of~~  
22 ~~storing goods for hire.~~

23 **(I) "PERSON ENTITLED UNDER THE DOCUMENT" MEANS THE HOLDER,**  
24 **IN THE CASE OF A NEGOTIABLE DOCUMENT OF TITLE, OR THE PERSON TO**  
25 **WHICH DELIVERY OF THE GOODS IS TO BE MADE BY THE TERMS OF, OR**  
26 **PURSUANT TO INSTRUCTIONS IN A RECORD UNDER, A NONNEGOTIABLE**  
27 **DOCUMENT OF TITLE.**

1 (J) "RECORD" MEANS INFORMATION THAT IS INSCRIBED ON A  
2 TANGIBLE MEDIUM OR THAT IS STORED IN AN ELECTRONIC OR OTHER  
3 MEDIUM AND IS RETRIEVABLE IN PERCEIVABLE FORM.

4 (K) "SIGN" MEANS ANY OF THE FOLLOWING, WITH PRESENT INTENT  
5 TO AUTHENTICATE OR ADOPT A RECORD:

6 (i) TO EXECUTE OR ADOPT A TANGIBLE SYMBOL.

7 (ii) TO ATTACH TO OR LOGICALLY ASSOCIATE WITH THE RECORD AN  
8 ELECTRONIC SOUND, SYMBOL, OR PROCESS.

9 (L) "SHIPPER" MEANS A PERSON THAT ENTERS INTO A CONTRACT OF  
10 TRANSPORTATION WITH A CARRIER.

11 (M) "WAREHOUSE" MEANS A PERSON ENGAGED IN THE BUSINESS OF  
12 STORING GOODS FOR HIRE.

13 ~~———— (2) Other definitions applying to this article or to~~  
14 ~~specified parts thereof, and the sections in which they appear~~  
15 ~~are:~~

16 ~~———— "Duly negotiate".———— Section 7501.~~

17 ~~———— "Person entitled under the document".———— Section 7403(4).~~

18 ~~———— (3) Definitions in other articles applying to this article~~  
19 ~~and the sections in which they appear are:~~

20 ~~———— "Contract for sale".———— Section 2106.~~

21 ~~———— "Overseas".———— Section 2323.~~

22 ~~———— "Receipt" of goods.———— Section 2103.~~

23 (2) ALL OF THE FOLLOWING DEFINITIONS FROM OTHER ARTICLES  
24 APPLY TO THIS ARTICLE:

1 (A) "CONTRACT FOR SALE" AS DEFINED IN SECTION 2106.

2 (B) "LESSEE IN THE ORDINARY COURSE OF BUSINESS" AS DEFINED  
3 IN SECTION 2A103.

4 (C) "RECEIPT OF GOODS" AS DEFINED IN SECTION 2103.

5 (3) ~~(4) In addition article~~ **ARTICLE** 1 contains general  
6 definitions and principles of construction and interpretation  
7 applicable throughout this article.

8 Sec. 7103. (1) ~~To the extent that any treaty or statute of~~  
9 ~~the United States, regulatory statute of this state or tariff,~~  
10 ~~classification or regulation filed or issued pursuant thereto is~~  
11 ~~applicable, the provisions of this article are subject thereto.~~  
12 **THIS ARTICLE IS SUBJECT TO ANY TREATY OR STATUTE OF THE UNITED**  
13 **STATES OR REGULATORY STATUTE OF THIS STATE TO THE EXTENT THE**  
14 **TREATY, STATUTE, OR REGULATORY STATUTE IS APPLICABLE.**

15 (2) **THIS ARTICLE DOES NOT MODIFY OR REPEAL ANY LAW**  
16 **PRESCRIBING THE FORM OR CONTENT OF A DOCUMENT OF TITLE OR THE**  
17 **SERVICES OR FACILITIES TO BE AFFORDED BY A BAILEE, OR OTHERWISE**  
18 **REGULATING A BAILEE'S BUSINESS IN RESPECTS NOT SPECIFICALLY**  
19 **TREATED IN THIS ARTICLE. HOWEVER, VIOLATION OF SUCH A LAW DOES**  
20 **NOT AFFECT THE STATUS OF A DOCUMENT OF TITLE THAT OTHERWISE IS**  
21 **WITHIN THE DEFINITION OF A DOCUMENT OF TITLE.**

22 (3) **THIS ACT MODIFIES, LIMITS, AND SUPERSEDES THE ELECTRONIC**  
23 **SIGNATURES IN THE GLOBAL AND NATIONAL COMMERCE ACT, 15 USC 7001**  
24 **TO 7031, BUT DOES NOT MODIFY, LIMIT, OR SUPERSEDE 15 USC 7001(A)**  
25 **OR AUTHORIZE ELECTRONIC DELIVERY OF ANY OF THE NOTICES DESCRIBED**  
26 **IN 15 USC 7003(B).**

27 (4) **TO THE EXTENT THERE IS A CONFLICT BETWEEN THE UNIFORM**

1 ELECTRONIC TRANSACTIONS ACT, 2000 PA 305, MCL 450.831 TO 450.849,  
2 AND THIS ARTICLE, THIS ARTICLE GOVERNS.

3 Sec. 7104. (1) ~~A warehouse receipt, bill of lading or other~~  
4 ~~document of title is negotiable~~ EXCEPT AS OTHERWISE PROVIDED IN  
5 SUBSECTION (3), A DOCUMENT OF TITLE IS NEGOTIABLE IF BY ITS TERMS  
6 THE GOODS ARE TO BE DELIVERED TO BEARER OR TO THE ORDER OF A  
7 NAMED PERSON.

8 ~~— (a) if by its terms the goods are to be delivered to bearer~~  
9 ~~or to the order of a named person; or~~

10 ~~— (b) where recognized in overseas trade, if it runs to a~~  
11 ~~named person or assigns.~~

12 (2) ~~Any other~~ A document OF TITLE OTHER THAN ONE DESCRIBED  
13 IN SUBSECTION (1) is ~~non negotiable~~ NONNEGOTIABLE. A bill of  
14 lading ~~in which it is stated~~ THAT STATES that the goods are  
15 consigned to a named person is not made negotiable by a provision  
16 that the goods are to be delivered only against a ~~written~~ AN  
17 order IN A RECORD signed by the same or another named person.

18 (3) A DOCUMENT OF TITLE IS NONNEGOTIABLE IF, AT THE TIME IT  
19 IS ISSUED, THE DOCUMENT HAS A CONSPICUOUS LEGEND, HOWEVER  
20 EXPRESSED, THAT IT IS NONNEGOTIABLE.

21 Sec. 7105. (1) ~~The omission from either part 2 or part 3 of~~  
22 ~~this article of a provision corresponding to a provision made in~~  
23 ~~the other part does not imply that a corresponding rule of law is~~  
24 ~~not applicable.~~ UPON REQUEST OF A PERSON ENTITLED UNDER AN  
25 ELECTRONIC DOCUMENT OF TITLE, THE ISSUER OF THE ELECTRONIC  
26 DOCUMENT MAY ISSUE A TANGIBLE DOCUMENT OF TITLE AS A SUBSTITUTE  
27 FOR THE ELECTRONIC DOCUMENT IF BOTH OF THE FOLLOWING ARE MET:

1 (A) THE PERSON ENTITLED UNDER THE ELECTRONIC DOCUMENT  
2 SURRENDERS CONTROL OF THE DOCUMENT TO THE ISSUER.

3 (B) THE TANGIBLE DOCUMENT WHEN ISSUED CONTAINS A STATEMENT  
4 THAT IT IS ISSUED IN SUBSTITUTION FOR THE ELECTRONIC DOCUMENT.

5 (2) ALL OF THE FOLLOWING APPLY UPON ISSUANCE OF A TANGIBLE  
6 DOCUMENT OF TITLE IN SUBSTITUTION FOR AN ELECTRONIC DOCUMENT OF  
7 TITLE IN ACCORDANCE WITH SUBSECTION (1):

8 (A) THE ELECTRONIC DOCUMENT CEASES TO HAVE ANY EFFECT OR  
9 VALIDITY.

10 (B) THE PERSON THAT PROCURED ISSUANCE OF THE TANGIBLE  
11 DOCUMENT WARRANTS TO ALL SUBSEQUENT PERSONS ENTITLED UNDER THE  
12 TANGIBLE DOCUMENT THAT THE WARRANTOR WAS A PERSON ENTITLED UNDER  
13 THE ELECTRONIC DOCUMENT WHEN THE WARRANTOR SURRENDERED CONTROL OF  
14 THE ELECTRONIC DOCUMENT TO THE ISSUER.

15 (3) UPON REQUEST OF A PERSON ENTITLED UNDER A TANGIBLE  
16 DOCUMENT OF TITLE, THE ISSUER OF THE TANGIBLE DOCUMENT MAY ISSUE  
17 AN ELECTRONIC DOCUMENT OF TITLE AS A SUBSTITUTE FOR THE TANGIBLE  
18 DOCUMENT IF BOTH OF THE FOLLOWING ARE MET:

19 (A) THE PERSON ENTITLED UNDER THE TANGIBLE DOCUMENT  
20 SURRENDERS POSSESSION OF THE DOCUMENT TO THE ISSUER.

21 (B) THE ELECTRONIC DOCUMENT WHEN ISSUED CONTAINS A STATEMENT  
22 THAT IT IS ISSUED IN SUBSTITUTION FOR THE TANGIBLE DOCUMENT.

23 (4) ALL OF THE FOLLOWING APPLY UPON ISSUANCE OF AN  
24 ELECTRONIC DOCUMENT OF TITLE IN SUBSTITUTION FOR A TANGIBLE  
25 DOCUMENT OF TITLE IN ACCORDANCE WITH SUBSECTION (3):

26 (A) THE TANGIBLE DOCUMENT CEASES TO HAVE ANY EFFECT OR  
27 VALIDITY.

1 (B) THE PERSON THAT PROCURED ISSUANCE OF THE ELECTRONIC  
2 DOCUMENT WARRANTS TO ALL SUBSEQUENT PERSONS ENTITLED UNDER THE  
3 ELECTRONIC DOCUMENT THAT THE WARRANTOR WAS A PERSON ENTITLED  
4 UNDER THE TANGIBLE DOCUMENT WHEN THE WARRANTOR SURRENDERED  
5 POSSESSION OF THE TANGIBLE DOCUMENT TO THE ISSUER.

6 SEC. 7106. (1) A PERSON HAS CONTROL OF AN ELECTRONIC  
7 DOCUMENT OF TITLE IF A SYSTEM EMPLOYED FOR EVIDENCING THE  
8 TRANSFER OF INTERESTS IN THE ELECTRONIC DOCUMENT RELIABLY  
9 ESTABLISHES THAT PERSON AS THE PERSON TO WHICH THE ELECTRONIC  
10 DOCUMENT WAS ISSUED OR TRANSFERRED.

11 (2) A SYSTEM SATISFIES SUBSECTION (1), AND A PERSON IS  
12 CONSIDERED TO HAVE CONTROL OF AN ELECTRONIC DOCUMENT OF TITLE, IF  
13 THE DOCUMENT IS CREATED, STORED, AND ASSIGNED IN A MANNER THAT  
14 MEETS ALL OF THE FOLLOWING:

15 (A) A SINGLE AUTHORITATIVE COPY OF THE DOCUMENT EXISTS THAT  
16 IS UNIQUE, IDENTIFIABLE, AND, EXCEPT AS OTHERWISE PROVIDED IN  
17 SUBDIVISIONS (D), (E), AND (F), UNALTERABLE.

18 (B) THE AUTHORITATIVE COPY DESCRIBED IN SUBDIVISION (A)  
19 IDENTIFIES THE PERSON ASSERTING CONTROL AS 1 OF THE FOLLOWING:

20 (i) THE PERSON TO WHICH THE DOCUMENT WAS ISSUED.

21 (ii) IF THE AUTHORITATIVE COPY INDICATES THAT THE DOCUMENT  
22 HAS BEEN TRANSFERRED, THE PERSON TO WHICH THE DOCUMENT WAS MOST  
23 RECENTLY TRANSFERRED.

24 (C) THE AUTHORITATIVE COPY DESCRIBED IN SUBDIVISION (A) IS  
25 COMMUNICATED TO AND MAINTAINED BY THE PERSON ASSERTING CONTROL OR  
26 ITS DESIGNATED CUSTODIAN.

27 (D) COPIES OR AMENDMENTS THAT ADD OR CHANGE AN IDENTIFIED

1 ASSIGNEE OF THE AUTHORITATIVE COPY DESCRIBED IN SUBDIVISION (A)  
2 CAN BE MADE ONLY WITH THE CONSENT OF THE PERSON ASSERTING  
3 CONTROL.

4 (E) EACH COPY OF THE AUTHORITATIVE COPY DESCRIBED IN  
5 SUBDIVISION (A) AND ANY COPY OF A COPY IS READILY IDENTIFIABLE AS  
6 A COPY THAT IS NOT THE AUTHORITATIVE COPY.

7 (F) ANY AMENDMENT OF THE AUTHORITATIVE COPY DESCRIBED IN  
8 SUBDIVISION (A) IS READILY IDENTIFIABLE AS AUTHORIZED OR  
9 UNAUTHORIZED.

10 Sec. 7201. (1) A warehouse receipt may be issued by any  
11 ~~warehouseman~~ **WAREHOUSE**.

12 (2) ~~Where goods including~~ **IF** distilled spirits, and  
13 agricultural commodities, **OR ANY OTHER GOODS** are stored under a  
14 statute requiring a bond against withdrawal or a license for the  
15 issuance of receipts in the nature of warehouse receipts, a  
16 receipt issued for the goods ~~has like effect as~~ **IS CONSIDERED TO**  
17 **BE** a warehouse receipt even ~~though~~ **IF** issued by a person ~~who~~ **THAT**  
18 is the owner of the goods and is not a ~~warehouseman~~ **WAREHOUSE**.

19 Sec. 7202. (1) A warehouse receipt need not be in any  
20 particular form.

21 (2) Unless a warehouse receipt ~~embodies within its written~~  
22 ~~or printed terms~~ **PROVIDES FOR** each of the following, the  
23 ~~warehouseman~~ **WAREHOUSE** is liable for damages caused ~~by the~~  
24 ~~omission to a person injured thereby~~ **BY ITS OMISSION:**

25 (a) **A STATEMENT OF** the location of the warehouse where the  
26 goods are stored. †

27 (b) ~~the~~ **THE** date of issue of the receipt. †



1           (c) ~~the consecutive number~~ **THE UNIQUE IDENTIFICATION CODE** of  
2 the receipt. †

3           (d) ~~a~~ **A** statement whether the goods received will be  
4 delivered to the bearer, to a ~~specified~~ **NAMED** person, or to a  
5 ~~specified~~ **NAMED** person or ~~his~~ **ITS** order. †

6           (e) ~~the~~ **THE** rate of storage and handling charges, ~~except~~  
7 ~~that where~~ **UNLESS** goods are stored under a field warehousing  
8 arrangement, **IN WHICH CASE** a statement of that fact is sufficient  
9 on a ~~non-negotiable~~ **NONNEGOTIABLE** receipt. †

10          (f) ~~a~~ **A** description of the goods or ~~of~~ the packages  
11 containing them. †

12          (g) ~~the~~ **THE** signature of the warehouseman, ~~which may be made~~  
13 ~~by his authorized agent,~~ **WAREHOUSE OR ITS AGENT.**

14          (h) ~~if~~ **IF** the receipt is issued for goods ~~of which~~ **THAT** the  
15 ~~warehouseman is owner~~ **WAREHOUSE OWNERS**, either solely, ~~or~~  
16 jointly, or in common with others, ~~the fact of such~~ **A STATEMENT**  
17 **OF THE FACT OF THAT** ownership. † ~~and~~

18          (i) ~~a~~ **A** statement of the amount of advances made and of  
19 liabilities incurred for which the ~~warehouseman~~ **WAREHOUSE** claims  
20 a lien or security interest, ~~(section 7209).~~ ~~If~~ **UNLESS** the  
21 precise amount of ~~such~~ advances made or ~~of such~~ liabilities  
22 incurred, ~~is,~~ at the time of the issue of the receipt, **IS** unknown  
23 to the ~~warehouseman~~ **WAREHOUSE** or to ~~his~~ **ITS** agent ~~who issues it~~  
24 **THAT ISSUED THE RECEIPT, IN WHICH CASE** a statement of the fact  
25 that advances have been made or liabilities incurred and the  
26 purpose ~~thereof~~ **OF THE ADVANCES OR LIABILITIES** is sufficient.

27          (3) A ~~warehouseman~~ **WAREHOUSE** may insert in ~~his~~ **ITS** receipt

1 any ~~other~~ terms ~~which~~ **THAT** are not contrary to the provisions of  
 2 this act and do not impair ~~his~~ **ITS** obligation of delivery **UNDER** (  
 3 section 7403 ) ~~or his~~ **ITS** duty of care **UNDER** (~~section 7204. )~~.  
 4 Any contrary provisions ~~shall be~~ **IS** ineffective.

5       Sec. 7203. A party to or purchaser for value in good faith  
 6 of a document of title, other than a bill of lading, ~~relying in~~  
 7 ~~either case~~ **THAT RELIES** upon the description ~~therein~~ of the goods  
 8 **IN THE DOCUMENT** may recover from the issuer damages caused by the  
 9 ~~non receipt~~ **NONRECEIPT** or misdescription of the goods, except to  
 10 the extent that ~~the~~ **ANY OF THE FOLLOWING APPLY:**

11       **(A) THE** document conspicuously indicates that the issuer  
 12 does not know whether **ALL OR** any part ~~or all~~ of the goods in fact  
 13 were received or conform to the description, ~~as where~~ **SUCH AS A**  
 14 **CASE IN WHICH** the description is in terms of marks or labels or  
 15 kind, quantity, or condition, or the receipt or description is  
 16 qualified by "contents, condition, and quality unknown", "said to  
 17 contain", or ~~the like, if such indication be~~ **WORDS OF SIMILAR**  
 18 **IMPORT, IF THE INDICATION IS** true. ~~, or the~~

19       **(B) THE** party or purchaser ~~otherwise~~ has notice **OF THE**  
 20 **NONRECEIPT OR MISDESCRIPTION.**

21       Sec. 7204. (1) A ~~warehouseman~~ **WAREHOUSE** is liable for  
 22 damages for loss of or injury to the goods caused by ~~his~~ **ITS**  
 23 failure to exercise ~~such~~ care ~~in~~ **WITH** regard to ~~them~~ ~~as~~ **THE GOODS**  
 24 **THAT** a reasonably careful ~~man~~ **PERSON** would exercise under like  
 25 **SIMILAR** circumstances. ~~but unless~~ **UNLESS** otherwise agreed, ~~he~~ **THE**  
 26 **WAREHOUSE** is not liable for damages ~~which~~ **THAT** could not have  
 27 been avoided by the exercise of ~~such~~ **THAT** care.

1           (2) Damages may be limited by a term in ~~the~~ **A** warehouse  
2 receipt or storage agreement limiting the amount of liability in  
3 case of loss or damage ~~, and setting forth a specific liability~~  
4 ~~per article or item, or value per unit of weight, beyond which~~  
5 ~~the warehouseman shall not be liable, provided, however, that~~  
6 ~~such liability may on written~~ **BEYOND WHICH THE WAREHOUSE IS NOT**  
7 **LIABLE. SUCH A LIMITATION IS NOT EFFECTIVE WITH RESPECT TO THE**  
8 **WAREHOUSE'S LIABILITY FOR CONVERSION TO ITS OWN USE. ON** request  
9 of the bailor **IN A RECORD** at the time of signing ~~such~~ **THE** storage  
10 agreement or within a reasonable time after receipt of the  
11 warehouse receipt, **THE WAREHOUSE'S LIABILITY MAY** be increased on  
12 part or all of the goods ~~thereunder, in which~~ **COVERED BY THE**  
13 **STORAGE AGREEMENT OR THE WAREHOUSE RECEIPT. IN THIS** event,  
14 increased rates may be charged based on ~~such increased valuation,~~  
15 ~~but that no such increase shall be permitted contrary to a lawful~~  
16 ~~limitation of liability contained in the warehouseman's tariff,~~  
17 ~~if any. No such limitation is effective with respect to the~~  
18 ~~warehouseman's liability for conversion to his own use~~ **AN**  
19 **INCREASED VALUATION OF THE GOODS.**

20           (3) Reasonable provisions as to the time and manner of  
21 presenting claims and ~~instituting~~ **COMMENCING** actions based on the  
22 bailment may be included in the warehouse receipt or ~~tariff~~  
23 **STORAGE AGREEMENT.**

24           Sec. 7205. A buyer in the ordinary course of business of  
25 fungible goods sold and delivered by a ~~warehouseman who~~ **WAREHOUSE**  
26 **THAT** is also in the business of buying and selling ~~such~~ **THOSE**  
27 goods takes **THE GOODS** free of any claim under a warehouse receipt

1 even though it ~~IF THE RECEIPT IS NEGOTIABLE AND~~ has been duly  
2 negotiated.

3       Sec. 7206. (1) A ~~warehouseman may on notifying~~ **WAREHOUSE, BY**  
4 **GIVING NOTICE TO** the person on whose account the goods are held  
5 and any other person known to claim an interest in the goods, **MAY**  
6 require payment of any charges and removal of the goods from the  
7 warehouse at the termination of the period of storage fixed by  
8 the document ~~, OF TITLE~~ or, if ~~no~~ **A** period is **NOT** fixed, within a  
9 stated period not less than 30 days after the ~~notification~~  
10 **WAREHOUSE GIVES NOTICE**. If the goods are not removed before the  
11 date specified in the ~~notification~~ **NOTICE**, the ~~warehouseman~~  
12 **WAREHOUSE** may sell them ~~in accordance with the provisions of the~~  
13 ~~section on enforcement of a warehouseman's lien (section 7210)~~  
14 **PURSUANT TO SECTION 7210**.

15       (2) If a ~~warehouseman~~ **WAREHOUSE** in good faith believes that  
16 ~~the~~ goods are about to deteriorate or decline in value to less  
17 than the amount of ~~his~~ **ITS** lien within the time ~~prescribed~~  
18 **PROVIDED** in subsection (1) ~~for notification, advertisement and~~  
19 ~~sale~~ **AND SECTION 7210**, the ~~warehouseman~~ **WAREHOUSE** may specify in  
20 the ~~notification~~ **NOTICE GIVEN UNDER SUBSECTION (1)** any reasonable  
21 shorter time for removal of the goods and, ~~in case~~ **IF** the goods  
22 are not removed, may sell them at public sale held not less than  
23 1 week after a single advertisement or posting.

24       (3) If, as a result of a quality or condition of the goods  
25 of which the ~~warehouseman had no~~ **WAREHOUSE DID NOT HAVE** notice at  
26 the time of deposit, the goods are a hazard to other property, ~~or~~  
27 ~~to the warehouse or to~~ **THE WAREHOUSE FACILITIES, OR OTHER**

1 persons, the ~~warehouseman~~**WAREHOUSE** may sell the goods at public  
 2 or private sale without advertisement **OR POSTING** on reasonable  
 3 notification to all persons known to claim an interest in the  
 4 goods. If the ~~warehouseman~~**WAREHOUSE**, after a reasonable effort,  
 5 is unable to sell the goods, ~~he~~**IT** may dispose of them in any  
 6 lawful manner and ~~shall incur no~~**DOES NOT INCUR** liability by  
 7 reason of ~~such~~**THAT** disposition.

8 (4) ~~The warehouseman must~~**A WAREHOUSE SHALL** deliver the  
 9 goods to any person entitled to them under this article upon due  
 10 demand made at any time ~~prior to~~**BEFORE** sale or other disposition  
 11 under this section.

12 (5) ~~The warehouseman~~**A WAREHOUSE** may satisfy ~~his~~**ITS** lien  
 13 from the proceeds of any sale or disposition under this section  
 14 but ~~must~~**SHALL** hold the balance for delivery on the demand of any  
 15 person to ~~whom he~~**WHICH THE WAREHOUSE** would have been bound to  
 16 deliver the goods.

17 Sec. 7207. (1) Unless the warehouse receipt **PROVIDES**  
 18 otherwise, ~~provides, a warehouseman must~~**A WAREHOUSE SHALL** keep  
 19 separate the goods covered by each receipt so as to permit at all  
 20 times identification and delivery of those goods. ~~except that~~  
 21 **HOWEVER**, different lots of fungible goods may be commingled.

22 (2) ~~Fungible~~**IF DIFFERENT LOTS OF FUNGIBLE** goods ~~se~~**ARE**  
 23 commingled, **THE GOODS** are owned in common by the persons entitled  
 24 thereto and the ~~warehouseman~~**WAREHOUSE** is severally liable to  
 25 each owner for that owner's share. ~~Where~~**IF**, because of  
 26 overissue, a mass of fungible goods is insufficient to meet all  
 27 the receipts ~~which the warehouseman~~**WAREHOUSE** has issued against

1 it, the persons entitled include all holders to ~~whom~~**WHICH**  
2 overissued receipts have been duly negotiated.

3 Sec. 7208. ~~Where~~**IF** a blank in a negotiable **TANGIBLE**  
4 warehouse receipt has been filled in without authority, a **GOOD**  
5 **FAITH** purchaser for value and without notice of the ~~want~~**LACK**  
6 of authority may treat the insertion as authorized. Any other  
7 unauthorized alteration leaves any **TANGIBLE OR ELECTRONIC**  
8 **WAREHOUSE** receipt enforceable against the issuer according to its  
9 original tenor.

10 Sec. 7209. (1) A ~~warehouseman~~**WAREHOUSE** has a lien against  
11 the bailor on the goods covered by a warehouse receipt or **STORAGE**  
12 **AGREEMENT OR** on the proceeds thereof ~~OF THOSE GOODS~~ in ~~his~~**ITS**  
13 possession for charges for storage or transportation, ~~(including~~  
14 demurrage and terminal charges, ~~),~~ insurance, labor, or **OTHER**  
15 charges, present or future, in relation to the goods, and for  
16 expenses necessary for preservation of the goods or reasonably  
17 incurred in their sale pursuant to law. If the person on whose  
18 account the goods are held is liable for ~~like~~**SIMILAR** charges or  
19 expenses in relation to other goods whenever deposited and it is  
20 stated in the ~~receipt~~**WAREHOUSE RECEIPT OR STORAGE AGREEMENT** that  
21 a lien is claimed for charges and expenses in relation to other  
22 goods, the ~~warehouseman~~**WAREHOUSE** also has a lien against ~~him~~**THE**  
23 **GOODS COVERED BY THE WAREHOUSE RECEIPT OR STORAGE AGREEMENT OR ON**  
24 **THE PROCEEDS OF THOSE GOODS IN ITS POSSESSION** for ~~such~~**THOSE**  
25 charges and expenses, whether or not the other goods have been  
26 delivered by the ~~warehouseman~~. ~~But~~**WAREHOUSE. HOWEVER, AS** against  
27 a person to ~~whom~~**WHICH** a negotiable warehouse receipt is duly

1 negotiated, a ~~warehouseman's~~ **WAREHOUSE'S** lien is limited to  
 2 charges in an amount or at a rate specified ~~on~~ **IN** the **WAREHOUSE**  
 3 receipt or, if no charges are so specified, ~~then~~ to a reasonable  
 4 charge for storage of the **SPECIFIC** goods covered by the receipt  
 5 subsequent to the date of the receipt.

6 (2) ~~The warehouseman~~ **A WAREHOUSE** may also reserve a security  
 7 interest against the bailor for a ~~THE~~ maximum amount specified on  
 8 the receipt for charges other than those specified in subsection  
 9 (1), such as for money advanced and interest. ~~Such a~~ **THE** security  
 10 interest is governed by ~~the~~ article 9. ~~on secured transactions~~  
 11 ~~(article 9)~~.

12 (3) A ~~warehouseman's~~ **WAREHOUSE'S** lien for charges and  
 13 expenses under subsection (1) or a security interest under  
 14 subsection (2) is also effective against any person ~~who~~ **THAT** so  
 15 entrusted the bailor with possession of the goods that a pledge  
 16 of them by ~~him~~ **THE BAILOR** to a good faith purchaser for value  
 17 would have been valid. ~~but~~ **HOWEVER, THE LIEN OR SECURITY INTEREST**  
 18 is not effective against a person ~~as to whom the document confers~~  
 19 ~~no right in the goods covered by it under section 7503.~~ **THAT**  
 20 **BEFORE ISSUANCE OF A DOCUMENT OF TITLE HAD A LEGAL INTEREST OR A**  
 21 **PERFECTED SECURITY INTEREST IN THE GOODS AND THAT DID NOT DO ANY**  
 22 **OF THE FOLLOWING:**

23 (A) **DELIVER OR ENTRUST THE GOODS OR ANY DOCUMENT OF TITLE**  
 24 **COVERING THE GOODS TO THE BAILOR OR THE BAILOR'S NOMINEE WITH ANY**  
 25 **OF THE FOLLOWING:**

26 (i) **ACTUAL OR APPARENT AUTHORITY TO SHIP, STORE, OR SELL.**

27 (ii) **POWER TO OBTAIN DELIVERY UNDER SECTION 7403.**

1           (iii) POWER OF DISPOSITION UNDER SECTION 2403, 2A304(2),  
2 2A305(2), 9320, OR 9321 OR OTHER STATUTE OR RULE OF LAW.

3           (B) ACQUIESCE IN THE PROCUREMENT BY THE BAILOR OR ITS  
4 NOMINEE OF ANY DOCUMENT.

5           (4) A WAREHOUSE'S LIEN ON HOUSEHOLD GOODS FOR CHARGES AND  
6 EXPENSES IN RELATION TO THE GOODS UNDER SUBSECTION (1) IS ALSO  
7 EFFECTIVE AGAINST ALL PERSONS IF THE DEPOSITOR WAS THE LEGAL  
8 POSSESSOR OF THE GOODS AT THE TIME OF DEPOSIT. AS USED IN THIS  
9 SUBSECTION, "HOUSEHOLD GOODS" MEANS FURNITURE, FURNISHINGS, OR  
10 PERSONAL EFFECTS USED BY THE DEPOSITOR IN A DWELLING.

11           (5) ~~(4)~~ A warehouseman ~~WAREHOUSE~~ loses ~~his~~ ~~ITS~~ lien on any  
12 goods which ~~he~~ **THAT IT** voluntarily delivers or which ~~he~~  
13 unjustifiably refuses to deliver.

14           Sec. 7210. (1) Except as **OTHERWISE** provided in subsection  
15 (2), a ~~warehouseman's~~ **WAREHOUSE'S** lien may be enforced by public  
16 or private sale of the goods, in ~~bulk~~ **BULK** or in ~~parcels~~  
17 **PACKAGES**, at any time or place and on any terms which ~~which~~ **THAT** are  
18 commercially reasonable, after notifying all persons known to  
19 claim an interest in the goods. ~~Such~~ **THE** notification must  
20 include a statement of the amount due, the nature of the proposed  
21 sale, and the time and place of any public sale. The fact that a  
22 better price could have been obtained by a sale at a different  
23 time or in a ~~different~~ method **DIFFERENT** from that selected by the  
24 ~~warehouseman~~ **WAREHOUSE** is not of itself sufficient to establish  
25 that the sale was not made in a commercially reasonable manner.  
26 ~~If the warehouseman either~~ **A WAREHOUSE SELLS IN A COMMERCIALY**  
27 **REASONABLE MANNER IF THE WAREHOUSE** sells the goods in the usual



1 manner in any recognized market therefor, ~~or if he~~ **FOR THE GOODS,**  
 2 sells at the price current in ~~such~~ **THAT** market at the time of ~~his~~  
 3 **THE** sale, or if he ~~has~~ otherwise sold **SELLS** in conformity with  
 4 commercially reasonable practices among dealers in the type of  
 5 goods sold. ~~, he has sold in a commercially reasonable manner. A~~  
 6 sale of more goods than apparently necessary to be offered to  
 7 ~~insure~~ **ENSURE** satisfaction of the obligation is not commercially  
 8 reasonable, except in cases covered by the preceding sentence.

9 (2) A ~~warehouseman's~~ **WAREHOUSE MAY ENFORCE ITS** lien on  
 10 goods, other than goods stored by a merchant in the course of ~~his~~  
 11 **ITS** business, ~~may be enforced only as follows~~ **ONLY IF THE**  
 12 **FOLLOWING REQUIREMENTS ARE SATISFIED:**

13 (a) All persons known to claim an interest in the goods must  
 14 be notified.

15 (b) The notification must ~~be delivered in person or sent by~~  
 16 ~~registered or certified letter to the last known address of any~~  
 17 ~~person to be notified.~~

18 ~~— (c) The notification must include an itemized statement of~~  
 19 the claim, a description of the goods subject to the lien, a  
 20 demand for payment within a specified time not less than 10 days  
 21 after receipt of the notification, and a conspicuous statement  
 22 that unless the claim is paid within that time the goods will be  
 23 advertised for sale and sold by auction at a specified time and  
 24 place.

25 (C) ~~(d)~~ The sale must conform to the terms of the  
 26 notification.

27 (D) ~~(e)~~ The sale must be held at the nearest suitable place

1 to ~~that~~ where the goods are held or stored.

2           **(E)** ~~(f)~~ After the expiration of the time given in the  
 3 notification, an advertisement of the sale must be published once  
 4 a week for 2 weeks consecutively in a newspaper of general  
 5 circulation where the sale is to be held. The advertisement must  
 6 include a description of the goods, the name of the person on  
 7 whose account ~~they~~ **THE GOODS** are being held, and the time and  
 8 place of the sale. The sale must take place at least 15 days  
 9 after the first publication. If there is no newspaper of general  
 10 circulation where the sale is to be held, the advertisement must  
 11 be posted at least 10 days before the sale in not ~~less~~ **FEWER** than  
 12 6 conspicuous places in the neighborhood of the proposed sale.

13           (3) Before any sale pursuant to this section, any person  
 14 claiming a right in the goods may pay the amount necessary to  
 15 satisfy the lien and the reasonable expenses incurred ~~under~~ **IN**  
 16 **COMPLYING WITH** this section. In that event, the goods ~~must~~ **MAY**  
 17 not be sold, ~~but~~ must be retained by the ~~warehouseman~~ **WAREHOUSE**  
 18 subject to the terms of the receipt and this article.

19           (4) ~~The warehouseman~~ **A WAREHOUSE** may buy at any public sale  
 20 **HELD** pursuant to this section.

21           (5) A purchaser in good faith of goods sold to enforce a  
 22 ~~warehouseman's~~ **WAREHOUSE'S** lien takes the goods free of any  
 23 rights of persons against ~~whom~~ **WHICH** the lien was valid, despite  
 24 **THE WAREHOUSE'S** noncompliance ~~by the warehouseman~~ with the  
 25 ~~requirements of~~ this section.

26           (6) ~~The warehouseman~~ **A WAREHOUSE** may satisfy ~~his~~ **ITS** lien  
 27 from the proceeds of any sale pursuant to this section but ~~must~~

1 **SHALL** hold the balance, if any, for delivery on demand to any  
 2 person to ~~whom he~~ **WHICH THE WAREHOUSE** would have been bound to  
 3 deliver the goods.

4 (7) The rights provided by this section ~~shall be~~ **ARE** in  
 5 addition to all other rights allowed by law to a creditor against  
 6 ~~his~~ **A** debtor.

7 (8) ~~Where~~ **IF** a lien is on goods stored by a merchant in the  
 8 course of ~~his~~ **ITS** business, the lien may be enforced in  
 9 accordance with ~~either~~ subsection (1) or (2).

10 (9) ~~The warehouseman~~ **A WAREHOUSE** is liable for damages  
 11 caused by failure to comply with the requirements for sale under  
 12 this section and, in case of willful violation, is liable for  
 13 conversion.

14 Sec. 7301. (1) A consignee of a ~~non negotiable~~ **NONNEGOTIABLE**  
 15 bill ~~who~~ **OF LADING WHICH** has given value in good faith, or a  
 16 holder to ~~whom~~ **WHICH** a negotiable bill has been duly negotiated,  
 17 relying ~~in either case~~ upon the description ~~therein~~ of the goods  
 18 ~~,~~ **IN THE BILL** or upon the date ~~therein~~ shown **IN THE BILL**, may  
 19 recover from the issuer damages caused by the misdating of the  
 20 bill or the nonreceipt or misdescription of the goods, except to  
 21 the extent that the ~~document~~ **BILL** indicates that the issuer does  
 22 not know whether any part or all of the goods in fact were  
 23 received or conform to the description, **SUCH** as ~~where~~ **IN A CASE**  
 24 **IN WHICH** the description is in terms of marks or labels or kind,  
 25 quantity, or condition or the receipt or description is qualified  
 26 by "contents or condition of contents of packages unknown", "said  
 27 to contain", "shipper's weight, load, and count", or ~~the like~~

1 **WORDS OF SIMILAR IMPORT**, if ~~such~~ **THAT** indication ~~be~~ **IS** true.

2 (2) ~~When~~ **ALL OF THE FOLLOWING APPLY IF** goods are loaded by  
3 ~~an~~ **THE** issuer who ~~is a common carrier, the~~ **OF A BILL OF LADING:**

4 (A) ~~THE~~ issuer ~~must~~ **SHALL** count the packages of goods if  
5 ~~package freight~~ **SHIPPED IN PACKAGES** and ascertain the kind and  
6 quantity if  **SHIPPED IN** bulk. ~~freight. In such cases~~

7 (B)  **WORDS SUCH AS** "shipper's weight, load, and count", or  
8 ~~other~~ **words OF SIMILAR IMPORT** indicating that the description was  
9 made by the shipper are ineffective except as to ~~freight~~ **GOODS**  
10 ~~concealed by~~ **IN** packages.

11 (3) ~~When bulk freight is~~ **IF BULK GOODS ARE** loaded by a  
12 shipper who ~~who~~ **THAT** makes available to the issuer  **OF A BILL OF**  
13  **LADING** adequate facilities for weighing ~~such freight, an issuer~~  
14 ~~who is a common carrier must~~ **THOSE GOODS, THE ISSUER SHALL**  
15 ascertain the kind and quantity within a reasonable time after  
16 receiving the ~~written~~ **SHIPPER'S** request of the shipper  **IN A**  
17  **RECORD** to do so. In ~~such cases~~ **THAT CASE,** "shipper's weight" or  
18 ~~other~~ words of like ~~purport~~ **SIMILAR IMPORT** are ineffective.

19 (4) The issuer ~~may by inserting~~ **OF A BILL OF LADING, BY**  
20  **INCLUDING** in the bill the words "shipper's weight, load, and  
21 count", or ~~other~~ words of like ~~purport~~ **SIMILAR IMPORT, MAY**  
22 indicate that the goods were loaded by the shipper, ~~and,~~ if  
23 ~~such~~ **THAT** statement ~~be~~ **IS** true, the issuer ~~shall~~ **IS** not ~~be~~ liable  
24 for damages caused by the improper loading. ~~But their~~ **HOWEVER,**  
25 omission  **OF THOSE WORDS** does not imply liability for ~~such~~ damages  
26  **CAUSED BY IMPROPER LOADING.**

27 (5) ~~The shipper shall be deemed to have guaranteed to the~~ **A**

1 **SHIPPER GUARANTEES TO AN** issuer the accuracy at the time of  
2 shipment of the description, marks, labels, number, kind,  
3 quantity, condition, and weight, as furnished by ~~him;~~**THE**  
4 **SHIPPER**, and the shipper shall indemnify the issuer against  
5 damage caused by inaccuracies in ~~such~~**THOSE** particulars. ~~The~~**THIS**  
6 right of ~~the issuer to such indemnity shall in no way~~**DOES NOT**  
7 limit ~~his~~**THE ISSUER'S** responsibility ~~and~~**OR** liability under the  
8 contract of carriage to any person other than the shipper.

9       Sec. 7302. (1) The issuer of a through bill of lading or  
10 other document **OF TITLE** embodying an undertaking to be performed  
11 in part by ~~persons~~**A PERSON** acting as its agents ~~or by connecting~~  
12 ~~carriers~~**AGENT OR BY A PERFORMING CARRIER**, is liable to anyone  
13 **ANY PERSON** entitled to recover on the **BILL OR OTHER** document for  
14 any breach by ~~such~~**THE** other ~~persons or by a connecting~~**PERSON OR**  
15 **THE PERFORMING** carrier of its obligation under the **BILL OR OTHER**  
16 document. ~~but~~**HOWEVER**, to the extent that the bill **OR OTHER**  
17 **DOCUMENT** covers an undertaking to be performed overseas or in  
18 territory not contiguous to the continental United States or an  
19 undertaking including matters other than transportation, this  
20 liability **FOR BREACH BY THE OTHER PERSON OR THE PERFORMING**  
21 **CARRIER** may be varied by agreement of the parties.

22       (2) ~~Where~~**IF** goods covered by a through bill of lading or  
23 other document **OF TITLE** embodying an undertaking to be performed  
24 in part by ~~persons~~**A PERSON** other than the issuer are received by  
25 ~~any such~~**THAT** person, ~~he~~**THE PERSON** is subject, with respect to  
26 ~~his~~**ITS** own performance while the goods are in ~~his~~**ITS**  
27 possession, to the obligation of the issuer. ~~His~~**THE PERSON'S**

1 obligation is discharged by delivery of the goods to another ~~such~~  
 2 person pursuant to the **BILL OR OTHER** document ~~,~~ and does not  
 3 include liability for breach by any other ~~such persons~~ **PERSON** or  
 4 by the issuer.

5 (3) The issuer of ~~such~~ **A** through bill of lading or other  
 6 document ~~shall be~~ **OF TITLE DESCRIBED IN SUBSECTION (1) IS**  
 7 entitled to recover **ALL OF THE FOLLOWING** from the ~~connecting~~  
 8 **PERFORMING** carrier, or ~~such~~ other person in possession of the  
 9 goods when the breach of the obligation under the **BILL OR OTHER**  
 10 document occurred: ~~the~~

11 (A) **THE** amount it may be required to pay to ~~anyone~~ **ANY**  
 12 **PERSON** entitled to recover on the **BILL OR OTHER** document ~~therefor~~  
 13 **FOR THE BREACH**, as may be evidenced by any receipt, judgment, or  
 14 transcript ~~thereof, and the~~ **OF JUDGMENT**.

15 (B) **THE** amount of any expense reasonably incurred by ~~it~~ **THE**  
 16 **ISSUER** in defending any action ~~brought by anyone~~ **COMMENCED BY ANY**  
 17 **PERSON** entitled to recover on the **BILL OR OTHER** document ~~therefor~~  
 18 **FOR THE BREACH**.

19 Sec. 7303. (1) Unless the bill of lading otherwise provides,  
 20 ~~the~~ **A** carrier may deliver the goods to a person or destination  
 21 other than that stated in the bill or may otherwise dispose of  
 22 the goods, **WITHOUT LIABILITY FOR MISDELIVERY**, on instructions  
 23 from **ANY OF THE FOLLOWING**:

24 (a) ~~the~~ **THE** holder of a negotiable bill. ~~,~~

25 (b) ~~the~~ **THE** consignor on a ~~non negotiable~~ **NONNEGOTIABLE**  
 26 bill, ~~notwithstanding~~ **EVEN IF THE CONSIGNEE HAS GIVEN** contrary  
 27 instructions. ~~from the consignee, or~~

1           (c) ~~the~~**THE** consignee on a ~~non-negotiable~~**NONNEGOTIABLE** bill  
 2 in the absence of contrary instructions from the consignor, if  
 3 the goods have arrived at the billed destination or if the  
 4 consignee is in possession of the **TANGIBLE** bill ~~or~~ **IN CONTROL**  
 5 **OF THE ELECTRONIC BILL.**

6           (d) ~~the~~**THE** consignee on a ~~non-negotiable~~**NONNEGOTIABLE**  
 7 bill, if ~~he~~**THE CONSIGNEE** is entitled as against the consignor to  
 8 dispose of ~~them~~**THE GOODS.**

9           (2) Unless ~~such~~ instructions **DESCRIBED IN SUBSECTION (1)** are  
 10 ~~noted on~~**INCLUDED IN** a negotiable bill of lading, a person to  
 11 ~~whom~~**WHICH** the bill is duly negotiated ~~can~~**MAY** hold the bailee  
 12 according to the original terms.

13           Sec. 7304. (1) Except ~~where~~**AS** customary in ~~overseas~~  
 14 **INTERNATIONAL** transportation, a **TANGIBLE** bill of lading ~~must~~**MAY**  
 15 not be issued in a set of parts. The issuer is liable for damages  
 16 caused by violation of this subsection.

17           (2) ~~Where~~**IF** a **TANGIBLE** bill of lading is lawfully ~~drawn~~  
 18 **ISSUED** in a set of parts, each of which is ~~numbered and~~**CONTAINS**  
 19 **AN IDENTIFICATION CODE AND IS** expressed to be valid only if the  
 20 goods have not been delivered against any other part, the whole  
 21 of the parts constitutes 1 bill.

22           (3) ~~Where~~**IF** a **TANGIBLE NEGOTIABLE** bill of lading is  
 23 lawfully issued in a set of parts and different parts are  
 24 negotiated to different persons, the title of the holder to ~~whom~~  
 25 **WHICH** the first due negotiation is made prevails as to both the  
 26 document **OF TITLE** and the goods even ~~though~~**IF** any later holder  
 27 may have received the goods from the carrier in good faith and

1 discharged the carrier's obligation by ~~surrender of his~~  
 2 **SURRENDERING ITS** part.

3 (4) ~~Any~~**A** person ~~who~~**THAT** negotiates or transfers a single  
 4 part of a **TANGIBLE** bill of lading ~~drawn~~**ISSUED** in a set is liable  
 5 to holders of that part as if it were the whole set.

6 (5) The bailee ~~is obliged to~~**SHALL** deliver in accordance  
 7 with part 4 ~~of this article~~ against the first presented part of a  
 8 **TANGIBLE** bill of lading lawfully ~~drawn~~**ISSUED** in a set. ~~Such~~  
 9 ~~delivery~~**DELIVERY IN THIS MANNER** discharges the bailee's  
 10 obligation on the whole bill.

11 Sec. 7305. (1) Instead of issuing a bill of lading to the  
 12 consignor at the place of shipment, a carrier, ~~may~~ at the request  
 13 of the consignor, **MAY** procure the bill to be issued at  
 14 destination or at any other place designated in the request.

15 (2) Upon request of ~~anyone~~**ANY PERSON** entitled as against  
 16 ~~the~~**A** carrier to control the goods while in transit and on  
 17 surrender of **POSSESSION OR CONTROL OF** any outstanding bill of  
 18 lading or other receipt covering ~~such~~**THE** goods, the issuer,  
 19 **SUBJECT TO SECTION 7105**, may procure a substitute bill to be  
 20 issued at any place designated in the request.

21 Sec. 7307. (1) A carrier has a lien on the goods covered by  
 22 a bill of lading **OR ON THE PROCEEDS OF THOSE GOODS IN ITS**  
 23 **POSSESSION** for charges ~~subsequent to~~**AFTER** the date of ~~its~~**THE**  
 24 **CARRIER'S** receipt of the goods for storage or transportation, ~~(~~  
 25 including demurrage and terminal charges, ~~)~~ and for expenses  
 26 necessary for preservation of the goods incident to their  
 27 transportation or reasonably incurred in their sale pursuant to



1 law. ~~But~~**HOWEVER**, against a purchaser for value of a negotiable  
 2 bill of lading, a carrier's lien is limited to charges stated in  
 3 the bill or the applicable tariffs ~~, or~~, if no charges are  
 4 stated, ~~then to~~ a reasonable charge.

5 (2) A lien for charges and expenses under subsection (1) on  
 6 goods ~~which~~**THAT** the carrier was required by law to receive for  
 7 transportation is effective against the consignor or any person  
 8 entitled to the goods unless the carrier had notice that the  
 9 consignor lacked authority to subject the goods to ~~such~~**THOSE**  
 10 charges and expenses. Any other lien under subsection (1) is  
 11 effective against the consignor and any person ~~who~~**THAT** permitted  
 12 the bailor to have control or possession of the goods unless the  
 13 carrier had notice that the bailor lacked ~~such~~ authority.

14 (3) A carrier loses ~~his~~**ITS** lien on any goods ~~which he~~**THAT**  
 15 **IT** voluntarily delivers or ~~which he~~ unjustifiably refuses to  
 16 deliver.

17 Sec. 7308. (1) A carrier's lien **ON GOODS** may be enforced by  
 18 public or private sale of the goods, in ~~bulk~~**BULK** or in ~~parcels~~  
 19 **PACKAGES**, at any time or place and on any terms ~~which~~**THAT** are  
 20 commercially reasonable, after notifying all persons known to  
 21 claim an interest in the goods. ~~Such~~**THE** notification must  
 22 include a statement of the amount due, the nature of the proposed  
 23 sale, and the time and place of any public sale. The fact that a  
 24 better price could have been obtained by a sale at a different  
 25 time or in a **METHOD** different ~~method~~ from that selected by the  
 26 carrier is not of itself sufficient to establish that the sale  
 27 was not made in a commercially reasonable manner. ~~If~~**THE CARRIER**

1 **SELLS GOODS IN A COMMERCIALY REASONABLE MANNER IF** the carrier  
 2 ~~either~~ sells the goods in the usual manner in any recognized  
 3 market ~~therefor or if he~~ **FOR THAT TYPE OF GOODS,** sells at the  
 4 price current in ~~such~~ **THAT** market at the time of ~~his~~ **THE** sale, or  
 5 ~~if he has otherwise sold~~ **SELLS** in conformity with commercially  
 6 reasonable practices among dealers in the type of goods sold. ~~he~~  
 7 ~~has sold in a commercially reasonable manner.~~ A sale of more  
 8 goods than apparently necessary to be offered to ensure  
 9 satisfaction of the obligation is not commercially reasonable  
 10 except in cases covered by the preceding sentence.

11 (2) Before any sale pursuant to this section, any person  
 12 claiming a right in the goods may pay the amount necessary to  
 13 satisfy the lien and the reasonable expenses incurred ~~under~~ **IN**  
 14 **COMPLYING WITH** this section. In that event, the goods ~~must~~ **MAY**  
 15 not be sold, ~~—~~ but must be retained by the carrier subject to the  
 16 terms of the bill **OF LADING** and this article.

17 (3) ~~The~~ **A** carrier may buy at any public sale pursuant to  
 18 this section.

19 (4) A purchaser in good faith of goods sold to enforce a  
 20 carrier's lien takes the goods free of any rights of persons  
 21 against ~~whom~~ **WHICH** the lien was valid, despite **THE CARRIER'S**  
 22 noncompliance ~~by the carrier with the requirements of this~~  
 23 section.

24 (5) ~~The~~ **A** carrier may satisfy ~~his~~ **ITS** lien from the proceeds  
 25 of any sale pursuant to this section but ~~must~~ **SHALL** hold the  
 26 balance, if any, for delivery on demand to any person to ~~whom he~~  
 27 **WHICH THE CARRIER** would have been bound to deliver the goods.

1           (6) The rights provided by this section ~~shall be~~ **ARE** in  
2 addition to all other rights allowed by law to a creditor against  
3 ~~his~~ **A** debtor.

4           (7) A carrier's lien may be enforced ~~in accordance with~~  
5 **PURSUANT TO** either subsection (1) or the procedure set forth in  
6 ~~subsection (2) of section 7210~~ **7210 (2)** .

7           (8) ~~The~~ **A** carrier is liable for damages caused by failure to  
8 comply with the requirements for sale under this section and, in  
9 case of willful violation, is liable for conversion.

10           Sec. 7309. (1) A carrier ~~who~~ **THAT** issues a bill of lading,  
11 whether negotiable or ~~non-negotiable must~~ **NONNEGOTIABLE, SHALL**  
12 exercise the degree of care in relation to the goods which a  
13 reasonably careful ~~man~~ **PERSON** would exercise under ~~like~~ **SIMILAR**  
14 circumstances. This subsection does not ~~repeal or change any law~~  
15 **AFFECT ANY STATUTE, REGULATION,** or rule of law ~~which~~ **THAT** imposes  
16 liability upon a common carrier for damages not caused by its  
17 negligence.

18           (2) Damages may be limited by a ~~provision~~ **TERM IN THE BILL**  
19 **OF LADING OR IN A TRANSPORTATION AGREEMENT** that the carrier's  
20 liability ~~shall~~ **MAY** not exceed a value stated in the ~~document~~  
21 **BILL OR TRANSPORTATION AGREEMENT** if the carrier's rates are  
22 dependent upon value and the consignor ~~by the carrier's tariff is~~  
23 afforded an opportunity to declare a higher value ~~or a value as~~  
24 ~~lawfully provided in the tariff, or where no tariff is filed he~~  
25 ~~is otherwise~~ **AND THE CONSIGNOR IS** advised of such ~~THE~~  
26 opportunity. ~~+~~ ~~but no~~ **HOWEVER,** such **A** limitation is **NOT** effective  
27 with respect to the carrier's liability for conversion to its own

1 use.

2 (3) Reasonable provisions as to the time and manner of  
3 presenting claims and ~~instituting~~ **COMMENCING** actions based on the  
4 shipment may be included in a bill of lading or ~~tariff~~ **A**  
5 **TRANSPORTATION AGREEMENT.**

6 Sec. 7401. The obligations imposed by this article on an  
7 issuer apply to a document of title ~~regardless of the fact that~~  
8 **EVEN IF ANY OF THE FOLLOWING APPLY:**

9 (a) ~~the~~ **THE** document ~~may~~ **DOES** not comply with the  
10 requirements of this article or of any other ~~law~~ **STATUTE, RULE,**  
11 or regulation regarding its ~~issue~~ **ISSUANCE**, form, or content. ~~+~~  
12 ~~or~~

13 (b) ~~the~~ **THE** issuer ~~may have~~ violated laws regulating the  
14 conduct of ~~his~~ **ITS** business. ~~+~~ ~~or~~

15 (c) ~~the~~ **THE** goods covered by the document were owned by the  
16 bailee at ~~the time~~ **WHEN** the document was issued. ~~+~~ ~~or~~

17 (d) ~~the~~ **THE** person issuing the document ~~does not come within~~  
18 ~~the definition of warehouseman if it~~ **IS NOT A WAREHOUSE BUT THE**  
19 **DOCUMENT** purports to be a warehouse receipt.

20 Sec. 7402. ~~Neither a~~ **A** duplicate ~~nor~~ **OR** any other document  
21 of title purporting to cover goods already represented by an  
22 outstanding document of the same issuer ~~confers~~ **DOES NOT CONFER**  
23 any right in the goods, except as provided in the case of  
24 **TANGIBLE bills OF LADING** in a set **OF PARTS**, overissue of  
25 documents for fungible goods, ~~and~~ substitutes for lost, stolen,  
26 or destroyed documents, **OR SUBSTITUTE DOCUMENTS ISSUED PURSUANT**  
27 **TO SECTION 7105.** ~~But the~~ **THE** issuer is liable for damages caused

1 by ~~his~~ **ITS** overissue or failure to identify a duplicate document  
2 ~~as such~~ by **A** conspicuous notation. ~~on its face.~~

3 Sec. 7403. (1) ~~The~~ **A** bailee ~~must~~ **SHALL** deliver the goods to  
4 a person entitled under ~~the~~ **A** document ~~who~~ **OF TITLE IF THE PERSON**  
5 complies with subsections (2) and (3), unless and to the extent  
6 that the bailee establishes any of the following:

7 (a) Delivery of the goods to a person whose receipt was  
8 rightful as against the claimant. †

9 (b) Damages to or delay, loss, or destruction of the goods  
10 for which the bailee is not liable. †

11 (c) Previous sale or other disposition of the goods in  
12 lawful enforcement of a lien or on ~~warehouseman's~~ **A WAREHOUSE'S**  
13 lawful termination of storage. †

14 (d) The exercise by a seller of ~~his~~ **ITS RIGHT TO STOP**  
15 **DELIVERY PURSUANT TO SECTION 2705 OR BY A LESSOR OF ITS** right to  
16 stop delivery pursuant to ~~the provisions of the article on sales~~  
17 ~~(section 2705);~~ **SECTION 2A526.**

18 (e) A diversion, reconsignment, or other disposition  
19 pursuant to ~~the provisions of this article (section 7303.) or~~  
20 ~~tariff regulating such right;~~

21 (f) Release, satisfaction, or any other ~~fact~~ ~~affording a~~  
22 personal defense against the claimant. †

23 (g) Any other lawful excuse.

24 (2) A person claiming goods covered by a document of title  
25 ~~must~~ **SHALL** satisfy the bailee's lien ~~where~~ **IF** the bailee so  
26 requests or ~~where~~ **IF** the bailee is prohibited by law from  
27 delivering the goods until the charges are paid.

1           (3) Unless ~~the~~~~A~~ person claiming **THE GOODS** is ~~one~~~~A~~ **PERSON**  
 2 against ~~whom~~~~WHICH~~ the document ~~confers~~~~no~~~~OF~~ **TITLE DOES NOT**  
 3 **CONFER A** right under section 7503(1), ~~he must surrender for~~  
 4 ~~cancellation or notation of partial deliveries~~ **BOTH OF THE**  
 5 **FOLLOWING APPLY:**

6           **(A) THE PERSON CLAIMING UNDER A DOCUMENT SHALL SURRENDER**  
 7 **POSSESSION OR CONTROL OF** any outstanding negotiable document  
 8 covering the goods ~~,~~~~and the bailee must~~ **FOR CANCELLATION OR**  
 9 **INDICATION OF PARTIAL DELIVERIES.**

10           **(B) THE BAILEE SHALL** cancel the document or conspicuously  
 11 ~~note~~~~INDICATE IN THE DOCUMENT~~ the partial delivery ~~thereon or be~~  
 12 **OR THE BAILEE IS** liable to any person to ~~whom~~~~WHICH~~ the document  
 13 is duly negotiated.

14           ~~——(4) "Person entitled under the document" means holder in the~~  
 15 ~~case of a negotiable document, or the person to whom delivery is~~  
 16 ~~to be made by the terms of or pursuant to written instructions~~  
 17 ~~under a non negotiable document.~~

18           Sec. 7404. A bailee ~~who~~~~THAT~~ in good faith ~~including~~  
 19 ~~observance of reasonable commercial standards~~ has received goods  
 20 and delivered or otherwise disposed of ~~them~~~~THE GOODS~~ according  
 21 to the terms of ~~the~~~~A~~ document of title or pursuant to this  
 22 article is not liable ~~therefor. This rule applies even though the~~  
 23 **FOR THE GOODS EVEN IF ANY OF THE FOLLOWING APPLY:**

24           **(A) THE** person from ~~whom~~~~he~~~~WHICH THE BAILEE~~ received the  
 25 goods ~~had~~~~no~~~~DID NOT HAVE~~ authority to procure the document or to  
 26 dispose of the goods. ~~and even though the person to whom he~~

27           **(B) THE PERSON TO WHICH THE BAILEE** delivered the goods ~~had~~

1 ~~ne~~-DID NOT HAVE authority to receive ~~them~~-THE GOODS.

2           Sec. 7501. (1) ~~A~~-ALL OF THE FOLLOWING RULES APPLY TO A  
3 negotiable TANGIBLE document of title: ~~running~~

4           (A) IF THE DOCUMENT'S ORIGINAL TERMS RUN to the order of a  
5 named person, THE DOCUMENT is negotiated by ~~his~~-THE NAMED  
6 PERSON'S indorsement and delivery. After ~~his~~-THE NAMED PERSON'S  
7 indorsement in blank or to bearer, any person ~~can~~-MAY negotiate  
8 ~~it~~-THE DOCUMENT by delivery alone.

9 ~~———(2)(a) A negotiable document of title is also negotiated by~~  
10 ~~delivery alone when by its original terms it runs to bearer;~~

11           (B) IF THE DOCUMENT'S ORIGINAL TERMS RUN TO BEARER, IT IS  
12 NEGOTIATED BY DELIVERY ALONE.

13           (C) ~~(b) When a document running~~ IF THE DOCUMENT'S ORIGINAL  
14 TERMS RUN to the order of a named person AND IT is delivered to  
15 ~~him~~-THE NAMED PERSON, the effect is the same as if the document  
16 had been negotiated.

17           (D) ~~(3)~~-Negotiation of a ~~negotiable~~-THE document of title  
18 after it has been indorsed to a ~~specified~~-NAMED person requires  
19 indorsement by the ~~special indorsee as well as~~-NAMED PERSON AND  
20 delivery.

21           (E) ~~(4)~~-A negotiable document of title is "~~duly~~ negotiated  
22 "~~when~~-IF it is negotiated in the manner stated in this ~~section~~  
23 SUBSECTION to a holder ~~who~~-THAT purchases it in good faith,  
24 without notice of any defense against or claim to it on the part  
25 of any person, and for value, unless it is established that the  
26 negotiation is not in the regular course of business or financing  
27 or involves receiving the document in settlement or payment of a

1 ~~money~~ **MONETARY** obligation.

2           (2) **ALL OF THE FOLLOWING RULES APPLY TO A NEGOTIABLE**  
3 **ELECTRONIC DOCUMENT OF TITLE:**

4           (A) **IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A**  
5 **NAMED PERSON OR TO BEARER, THE DOCUMENT IS NEGOTIATED BY DELIVERY**  
6 **OF THE DOCUMENT TO ANOTHER PERSON. INDORSEMENT BY THE NAMED**  
7 **PERSON IS NOT REQUIRED TO NEGOTIATE THE DOCUMENT.**

8           (B) **IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A**  
9 **NAMED PERSON AND THE NAMED PERSON HAS CONTROL OF THE DOCUMENT,**  
10 **THE EFFECT IS THE SAME AS IF THE DOCUMENT HAD BEEN NEGOTIATED.**

11           (C) **A DOCUMENT IS DULY NEGOTIATED IF IT IS NEGOTIATED IN THE**  
12 **MANNER STATED IN THIS SUBSECTION TO A HOLDER THAT PURCHASES IT IN**  
13 **GOOD FAITH, WITHOUT NOTICE OF ANY DEFENSE AGAINST OR CLAIM TO IT**  
14 **ON THE PART OF ANY PERSON, AND FOR VALUE, UNLESS IT IS**  
15 **ESTABLISHED THAT THE NEGOTIATION IS NOT IN THE REGULAR COURSE OF**  
16 **BUSINESS OR FINANCING OR INVOLVES TAKING DELIVERY OF THE DOCUMENT**  
17 **IN SETTLEMENT OR PAYMENT OF A MONETARY OBLIGATION.**

18           (3) ~~(5)~~ **Indorsement of a non-negotiable-NONNEGOTIABLE**  
19 **document neither makes it negotiable nor adds to the transferee's**  
20 **rights.**

21           (4) ~~(6)~~ **The naming in a negotiable bill of a person to be**  
22 **notified of the arrival of the goods does not limit the**  
23 **negotiability of the bill ~~nor~~ OR constitute notice to a purchaser**  
24 **~~thereof~~ OF THE BILL of any interest of such-THAT person in the**  
25 **goods.**

26           Sec. 7502. (1) ~~Subject to the following section and to the~~  
27 ~~provisions of section 7205 on fungible goods~~ **SECTIONS 7205 AND**



1 7503, a holder to ~~whom~~ **WHICH** a negotiable document of title ~~has~~  
 2 ~~been~~ **IS** duly negotiated acquires ~~thereby~~ **ALL OF THE FOLLOWING:**

3 (a) Title to the document. ~~†~~

4 (b) Title to the goods. ~~†~~

5 (c) All rights accruing under the law of agency or estoppel,  
 6 including rights to goods delivered to the bailee after the  
 7 document was issued. ~~†and~~

8 (d) The direct obligation of the issuer to hold or deliver  
 9 the goods according to the terms of the document free of any  
 10 defense or claim by ~~him~~ **THE ISSUER** except those arising under the  
 11 terms of the document or under this article. ~~In~~ **HOWEVER, IN** the  
 12 case of a delivery order, the bailee's obligation accrues only  
 13 upon **THE BAILEE'S** acceptance **OF THE DELIVERY ORDER** and the  
 14 obligation acquired by the holder is that the issuer and any  
 15 indorser will procure the acceptance of the bailee.

16 (2) Subject to ~~the following~~ section 7503, title and rights  
 17 ~~so~~ acquired **BY DUE NEGOTIATION** are not defeated by any stoppage  
 18 of the goods represented by the document **OF TITLE** or by surrender  
 19 of ~~such~~ **THE** goods by the bailee ~~†and~~ are not impaired even  
 20 ~~though the~~ **IF ANY OF THE FOLLOWING OCCUR:**

21 (A) **THE DUE** negotiation or any prior **DUE** negotiation  
 22 constituted a breach of duty. ~~or even though any~~

23 (B) **ANY** person has been deprived of possession of ~~the~~ **A**  
 24 **NEGOTIABLE TANGIBLE** document **OR CONTROL OF A NEGOTIABLE**  
 25 **ELECTRONIC DOCUMENT** by misrepresentation, fraud, accident,  
 26 mistake, duress, loss, theft, or conversion. ~~†or even though a~~

27 (C) **A** previous sale or other transfer of the goods or

1 document has been made to a third person.

2       Sec. 7503. (1) A document of title confers no right in goods  
3 against a person ~~who~~**THAT** before issuance of the document had a  
4 legal interest or a perfected security interest in ~~them and who~~  
5 **THE GOODS AND THAT** did ~~neither~~**NOT DO ANY** of the following:

6       (a) ~~Delivered or entrusted them~~**DELIVER OR ENTRUST THE GOODS**  
7 or any document of title covering ~~them~~**THE GOODS** to the bailor or  
8 his or her nominee with ~~actual~~**ANY OF THE FOLLOWING:**

9       (i) **ACTUAL** or apparent authority to ship, store, or sell. ~~or~~  
10 ~~with power~~

11       (ii) **POWER** to obtain delivery under ~~this article~~ (~~section~~  
12 7403. ) ~~or with power~~

13       (iii) **POWER** of disposition under ~~this act~~ (~~sections 2403 and~~  
14 ~~9320~~)**SECTION 2403, 2A304(2), 2A305(2), 9320, OR 9321(3)** or other  
15 statute or rule of law.

16       (b) ~~Acquiesced~~**ACQUIESCE** in the procurement by the bailor or  
17 ~~his or her~~**ITS** nominee of any document. ~~of title.~~

18       (2) Title to goods based upon an unaccepted delivery order  
19 is subject to the rights of ~~anyone to whom~~**ANY PERSON TO WHICH** a  
20 negotiable warehouse receipt or bill of lading covering the goods  
21 has been duly negotiated. Such a title may be defeated under ~~the~~  
22 ~~next~~ section **7504** to the same extent as the rights of the issuer  
23 or a transferee from the issuer.

24       (3) Title to goods based upon a bill of lading issued to a  
25 freight forwarder is subject to the rights of ~~anyone to whom~~**ANY**  
26 **PERSON TO WHICH** a bill issued by the freight forwarder is duly  
27 negotiated. ~~+~~ ~~but~~**HOWEVER**, delivery by the carrier in accordance

1 with part 4 of this article pursuant to its own bill of lading  
2 discharges the carrier's obligation to deliver.

3       Sec. 7504. (1) A transferee of a document **OF TITLE**, whether  
4 negotiable or ~~non-negotiable~~ **NONNEGOTIABLE**, to ~~whom~~ **WHICH** the  
5 document has been delivered but not duly negotiated, acquires the  
6 title and rights ~~which his~~ **THAT ITS** transferor had or had actual  
7 authority to convey.

8       (2) In the case of a ~~non-negotiable~~ **TRANSFER OF A**  
9 **NONNEGOTIABLE** document **OF TITLE**, until but not after the bailee  
10 receives ~~notification~~ **NOTICE** of the transfer, the rights of the  
11 transferee may be defeated **BY ANY OF THE FOLLOWING:**

12       (a) ~~by~~ **BY** those creditors of the transferor ~~who~~ **WHICH** could  
13 treat the ~~sale~~ **TRANSFER** as void under section 2402 ~~or~~ **2A308.**

14       (b) ~~by~~ **BY** a buyer from the transferor in ordinary course of  
15 business if the bailee has delivered the goods to the buyer or  
16 received notification of ~~his~~ **THE BUYER'S** rights. ~~or~~

17       (c) **BY A LESSEE FROM THE TRANSFEROR IN ORDINARY COURSE OF**  
18 **BUSINESS IF THE BAILEE HAS DELIVERED THE GOODS TO THE LESSEE OR**  
19 **RECEIVED NOTIFICATION OF THE LESSEE'S RIGHTS.**

20       (d) ~~(e)~~ **AS** against the bailee, by good-faith dealings of  
21 the bailee with the transferor.

22       (3) A diversion or other change of shipping instructions by  
23 the consignor in a ~~non-negotiable~~ **NONNEGOTIABLE** bill of lading  
24 which causes the bailee not to deliver **THE GOODS** to the consignee  
25 defeats the consignee's title to the goods if ~~they~~ **THE GOODS** have  
26 been delivered to a buyer in ordinary course of business **OR A**  
27 **LEASEE IN ORDINARY COURSE OF BUSINESS** and, in any event, defeats

1 the consignee's rights against the bailee.

2 (4) Delivery **OF THE GOODS** pursuant to a ~~non-negotiable~~  
 3 **NONNEGOTIABLE** document **OF TITLE** may be stopped by a seller under  
 4 section 2705 ~~, and~~ **OR A LESSOR UNDER SECTION 2A526**, subject to  
 5 the ~~requirement~~ **REQUIREMENTS** of due notification ~~there provided~~  
 6 **IN THOSE SECTIONS**. A bailee ~~honoring~~ **THAT HONORS** the seller's **OR**  
 7 **LESSOR'S** instructions is entitled to be indemnified by the seller  
 8 **OR LESSOR** against any resulting loss or expense.

9 Sec. 7505. The indorsement of a **TANGIBLE** document of title  
 10 issued by a bailee does not make the indorser liable for any  
 11 default by the bailee or by previous indorsers.

12 Sec. 7506. The transferee of a negotiable **TANGIBLE** document  
 13 of title has a specifically enforceable right to have ~~his~~ **ITS**  
 14 transferor supply any necessary indorsement, but the transfer  
 15 becomes a negotiation only as of the time the indorsement is  
 16 supplied.

17 Sec. 7507. ~~Where~~ **IF** a person negotiates or ~~transfers~~  
 18 **DELIVERS** a document of title for value, otherwise than as a mere  
 19 intermediary under ~~the next following~~ section **7508**, ~~then unless~~  
 20 otherwise agreed, ~~he warrants to his immediate purchaser only~~ **THE**  
 21 **TRANSFEROR**, in addition to any warranty made in selling **OR**  
 22 **LEASING** the goods, **WARRANTS TO ITS IMMEDIATE PURCHASER ONLY THE**  
 23 **FOLLOWING:**

24 (a) ~~that~~ **THAT** the document is genuine. ~~, and~~

25 (b) ~~that he has no~~ **THAT THE TRANSFEROR DOES NOT HAVE**  
 26 knowledge of any fact ~~which~~ **THAT** would impair ~~its~~ **THE DOCUMENT'S**  
 27 validity or worth. ~~, and~~

1           (c) ~~that his~~ **THAT THE** negotiation or ~~transfer~~ **DELIVERY** is  
 2 rightful and fully effective with respect to the title to the  
 3 document and the goods it represents.

4           Sec. 7508. A collecting bank or other intermediary known to  
 5 be entrusted with documents **OF TITLE** on behalf of another or with  
 6 collection of a draft or other claim against delivery of  
 7 documents warrants by ~~such~~ **THE** delivery of the documents only its  
 8 own good faith and authority ~~. This rule applies even though the~~  
 9 **EVEN IF THE COLLECTING BANK OR OTHER** intermediary has purchased  
 10 or made advances against the claim or draft to be collected.

11           Sec. 7509. ~~The question whether~~ **WHETHER** a document **OF TITLE**  
 12 is adequate to fulfill the obligations of a contract for sale, **A**  
 13 **CONTRACT FOR LEASE**, or the conditions of a **LETTER OF** credit is  
 14 ~~governed by the articles on sales (article 2) and on letters of~~  
 15 ~~credit (article 5)~~ **DETERMINED BY ARTICLE 2, 2A, OR 5.**

16           Sec. 7601. (1) If a document ~~has been~~ **OF TITLE IS** lost,  
 17 stolen, or destroyed, a court may order delivery of the goods or  
 18 issuance of a substitute document and the bailee may without  
 19 liability to any person comply with ~~such~~ **THE** order. If the  
 20 document was negotiable, ~~the claimant must post security approved~~  
 21 ~~by the court to indemnify any person who may suffer loss as a~~  
 22 ~~result of nonsurrender of the document~~ **A COURT MAY NOT ORDER**  
 23 **DELIVERY OF THE GOODS OR ISSUANCE OF A SUBSTITUTE DOCUMENT**  
 24 **WITHOUT THE CLAIMANT'S POSTING SECURITY UNLESS IT FINDS THAT ANY**  
 25 **PERSON THAT MAY SUFFER LOSS AS A RESULT OF NONSURRENDER OF**  
 26 **POSSESSION OR CONTROL OF THE DOCUMENT IS ADEQUATELY PROTECTED**  
 27 **AGAINST THE LOSS.** If the document was ~~not negotiable, such~~

1 ~~security may be required at the discretion of the court~~  
 2 **NONNEGOTIABLE, THE COURT MAY REQUIRE SECURITY.** The court may also  
 3 ~~in its discretion order~~ payment of the bailee's reasonable costs  
 4 ~~and counsel fees~~ **ATTORNEY FEES IN ANY ACTION UNDER THIS**  
 5 **SUBSECTION.**

6 (2) A bailee ~~who without~~ **THAT, WITHOUT A** court order,  
 7 delivers goods to a person claiming under a missing negotiable  
 8 document **OF TITLE** is liable to any person injured ~~thereby, and if~~  
 9 **BY THAT DELIVERY. IF** the delivery is not in good faith, ~~becomes~~  
 10 **THE BAILEE IS** liable for conversion. Delivery in good faith is  
 11 not conversion ~~if made in accordance with a filed classification~~  
 12 ~~or tariff or, where no classification or tariff is filed, if the~~  
 13 claimant posts security with the bailee in an amount at least  
 14 double the value of the goods at the time of posting to indemnify  
 15 any person injured by the delivery ~~who~~ **WHICH** files a notice of  
 16 claim within 1 year after the delivery.

17 Sec. 7602. ~~Except where the document~~ **UNLESS A DOCUMENT OF**  
 18 **TITLE** was originally issued upon delivery of the goods by a  
 19 person ~~who had no~~ **THAT DID NOT HAVE** power to dispose of them, ~~no~~  
 20 ~~lien attaches~~ **A LIEN DOES NOT ATTACH** by virtue of any judicial  
 21 process to goods in the possession of a bailee for which a  
 22 negotiable document of title is outstanding unless ~~the document~~  
 23 ~~be~~ **POSSESSION OR CONTROL OF THE DOCUMENT IS** first surrendered to  
 24 the bailee or ~~its~~ **THE DOCUMENT'S** negotiation **IS** enjoined. ~~and~~  
 25 ~~the bailee shall~~ **THE BAILEE MAY** not be compelled to deliver the  
 26 goods pursuant to process until **POSSESSION OR CONTROL OF** the  
 27 document is surrendered to him ~~or impounded by~~ **THE BAILEE OR TO**



1 ARISES BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED  
2 THIS SECTION AND THE RIGHTS, OBLIGATIONS, AND INTERESTS FLOWING  
3 FROM THAT DOCUMENT OR BAILMENT ARE GOVERNED BY ANY STATUTE  
4 AMENDED OR REPEALED BY THAT AMENDATORY ACT AS IF AMENDMENT OR  
5 REPEAL HAD NOT OCCURRED AND MAY BE TERMINATED, COMPLETED,  
6 CONSUMMATED, OR ENFORCED UNDER THAT STATUTE.

7       Sec. 8103. (1) A share or similar equity interest issued by  
8 a corporation, business trust, joint stock company, or similar  
9 entity is a security.

10       (2) An investment company security is a security.  
11 "Investment company security" means a share or similar equity  
12 interest issued by an entity that is registered as an investment  
13 company under the federal investment company laws, an interest in  
14 a unit investment trust that is so registered, or a face-amount  
15 certificate issued by a face-amount certificate company that is  
16 so registered. Investment company security does not include an  
17 insurance policy or endowment policy or annuity contract issued  
18 by an insurance company.

19       (3) An interest in a partnership or limited liability  
20 company is not a security unless it is dealt in or traded on  
21 securities exchanges or in securities markets, its terms  
22 expressly provide that it is a security governed by this article,  
23 or it is an investment company security. However, an interest in  
24 a partnership or limited liability company is a financial asset  
25 if it is held in a securities account.

26       (4) A writing that is a security certificate is governed by  
27 this article and not by article 3, even though it also meets the



1 requirements of that article. However, a negotiable instrument  
2 governed by article 3 is a financial asset if it is held in a  
3 securities account.

4 (5) An option or similar obligation issued by a clearing  
5 corporation to its participants is not a security, but is a  
6 financial asset.

7 (6) A commodity contract, as defined in section 9102(1)(o),  
8 is not a security or a financial asset.

9 **(7) A DOCUMENT OF TITLE IS NOT A FINANCIAL ASSET UNLESS**  
10 **SECTION 8102(1)(I) (iii) APPLIES.**

11 Sec. 9102. (1) As used in this article:

12 (a) "Accession" means goods that are physically united with  
13 other goods in such a manner that the identity of the original  
14 goods is not lost.

15 (b) "Account", except as used in "account for", means a  
16 right to payment of a monetary obligation, whether or not earned  
17 by performance, for property that has been or is to be sold,  
18 leased, licensed, assigned, or otherwise disposed of, for  
19 services rendered or to be rendered, for a policy of insurance  
20 issued or to be issued, for a secondary obligation incurred or to  
21 be incurred, for energy provided or to be provided, for the use  
22 or hire of a vessel under a charter or other contract, arising  
23 out of the use of a credit or charge card or information  
24 contained on or for use with the card, or as winnings in a  
25 lottery or other game of chance operated or sponsored by a state,  
26 governmental unit of a state, or person licensed or authorized to  
27 operate the game by a state or governmental unit of a state. The

1 term includes health-care-insurance receivables. The term does  
2 not include rights to payment evidenced by chattel paper or an  
3 instrument, commercial tort claims, deposit accounts, investment  
4 property, letter-of-credit rights or letters of credit, or rights  
5 to payment for money or funds advanced or sold, other than rights  
6 arising out of the use of a credit or charge card or information  
7 contained on or for use with the card.

8 (c) "Account debtor" means a person obligated on an account,  
9 chattel paper, or general intangible. The term does not include  
10 persons obligated to pay a negotiable instrument, even if the  
11 instrument constitutes part of chattel paper.

12 (d) "Accounting", except as used in "accounting for", means  
13 a record that meets all of the following requirements:

14 (i) Authenticated by a secured party.

15 (ii) Indicating the aggregate unpaid secured obligations as  
16 of a date not more than 35 days earlier or 35 days later than the  
17 date of the record.

18 (iii) Identifying the components of the obligations in  
19 reasonable detail.

20 (e) "Agricultural lien" means an interest, other than a  
21 security interest, in farm products that meets all of the  
22 following requirements:

23 (i) The interest secures payment or performance of an  
24 obligation for 1 or more of the following:

25 (A) Goods or services furnished in connection with a  
26 debtor's farming operation.

27 (B) Rent on real property leased by a debtor in connection

1 with its farming operation.

2 (ii) The interest is created by statute in favor of a person  
3 that did 1 or more of the following:

4 (A) In the ordinary course of its business furnished goods  
5 or services to a debtor in connection with a debtor's farming  
6 operation.

7 (B) Leased real property to a debtor in connection with the  
8 debtor's farming operation.

9 (iii) The effectiveness of the interest does not depend on the  
10 person's possession of the personal property.

11 (f) "As-extracted collateral" means 1 or more of the  
12 following:

13 (i) Oil, gas, or other minerals that are subject to a  
14 security interest that is created by a debtor having an interest  
15 in the minerals before extraction and attaches to the minerals as  
16 extracted.

17 (ii) Accounts arising out of the sale at the wellhead or  
18 minehead of oil, gas, or other minerals in which the debtor had  
19 an interest before extraction.

20 (g) "Authenticate" means ~~1~~**EITHER** of the following:

21 (i) To sign.

22 ~~(ii) To execute or otherwise adopt a symbol, or encrypt or~~  
23 ~~similarly process a record in whole or in part, with the present~~  
24 ~~intent of the authenticating person to identify the person and~~  
25 ~~adopt or accept a record.~~**WITH PRESENT INTENT TO ADOPT OR ACCEPT A**  
26 **RECORD, TO ATTACH TO OR LOGICALLY ASSOCIATE WITH THE RECORD AN**  
27 **ELECTRONIC SOUND, SYMBOL, OR PROCESS.**

1 (h) "Bank" means an organization that is engaged in the  
2 business of banking. The term includes savings banks, savings and  
3 loan associations, credit unions, and trust companies.

4 (i) "Cash proceeds" means proceeds that are money, checks,  
5 deposit accounts, or the like.

6 (j) "Certificate of title" means a certificate of title with  
7 respect to which a statute provides for the security interest in  
8 question to be indicated on the certificate as a condition or  
9 result of the security interest's obtaining priority over the  
10 rights of a lien creditor with respect to the collateral. **THE**  
11 **TERM INCLUDES ANOTHER RECORD MAINTAINED AS AN ALTERNATIVE TO A**  
12 **CERTIFICATE OF TITLE BY THE GOVERNMENTAL UNIT THAT ISSUES**  
13 **CERTIFICATES OF TITLE IF A STATUTE PERMITS THE SECURITY INTEREST**  
14 **IN QUESTION TO BE INDICATED ON THE RECORD AS A CONDITION OR**  
15 **RESULT OF THE SECURITY INTEREST'S OBTAINING PRIORITY OVER THE**  
16 **RIGHTS OF A LIEN CREDITOR WITH RESPECT TO THE COLLATERAL.**

17 (k) "Chattel paper" means a record or records that evidence  
18 both a monetary obligation and a security interest in specific  
19 goods, a security interest in specific goods and software used in  
20 the goods, a security interest in specific goods and license of  
21 software used in the goods, a lease of specific goods, or a lease  
22 of specific goods and license of software used in the goods. As  
23 used in this subdivision, "monetary obligation" means a monetary  
24 obligation secured by the goods or owed under a lease of the  
25 goods and includes a monetary obligation with respect to software  
26 used in the goods. The term does not include charters or other  
27 contracts involving the use or hire of a vessel, or records that

1 evidence a right to payment arising out of the use of a credit or  
2 charge card or information contained on or for use with the card.  
3 If a transaction is evidenced by records that include an  
4 instrument or series of instruments, the group of records taken  
5 together constitutes chattel paper.

6 (l) "Collateral" means the property subject to a security  
7 interest or agricultural lien. The term includes 1 or more of the  
8 following:

9 (i) Proceeds to which a security interest attaches.

10 (ii) Accounts, chattel paper, payment intangibles, and  
11 promissory notes that have been sold.

12 (iii) Goods that are the subject of a consignment.

13 (m) "Commercial tort claim" means a claim arising in tort  
14 with respect to which 1 of the following applies:

15 (i) The claimant is an organization.

16 (ii) The claimant is an individual and the claim arose in the  
17 course of the claimant's business or profession and does not  
18 include damages arising out of personal injury to or the death of  
19 an individual.

20 (n) "Commodity account" means an account maintained by a  
21 commodity intermediary in which a commodity contract is carried  
22 for a commodity customer.

23 (o) "Commodity contract" means a commodity futures contract,  
24 an option on a commodity futures contract, a commodity option, or  
25 another contract if the contract or option is 1 of the following:

26 (i) Traded on or subject to the rules of a board of trade  
27 that has been designated as a contract market for such a contract

1 pursuant to federal commodities laws.

2 (ii) Traded on a foreign commodity board of trade, exchange,  
3 or market, and is carried on the books of a commodity  
4 intermediary for a commodity customer.

5 (p) "Commodity customer" means a person for which a  
6 commodity intermediary carries a commodity contract on its books.

7 (q) "Commodity intermediary" means 1 of the following:

8 (i) A person that is registered as a futures commission  
9 merchant under federal commodities law.

10 (ii) A person that in the ordinary course of its business  
11 provides clearance or settlement services for a board of trade  
12 that has been designated as a contract market pursuant to federal  
13 commodities law.

14 (r) "Communicate" means 1 or more of the following:

15 (i) To send a written or other tangible record.

16 (ii) To transmit a record by any means agreed upon by the  
17 persons sending and receiving the record.

18 (iii) In the case of transmission of a record to or by a  
19 filing office, to transmit a record by any means prescribed by  
20 filing-office rule.

21 (s) "Consignee" means a merchant to which goods are  
22 delivered in a consignment.

23 (t) "Consignment" means a transaction, regardless of its  
24 form, in which a person delivers goods to a merchant for the  
25 purpose of sale and that meets all of the following:

26 (i) The merchant deals in goods of that kind under a name  
27 other than the name of the person making delivery, is not an

1 auctioneer, and is not generally known by its creditors to be  
2 substantially engaged in selling the goods of others.

3 (ii) With respect to each delivery, the aggregate value of  
4 the goods is \$1,000.00 or more at the time of delivery.

5 (iii) The goods are not consumer goods immediately before  
6 delivery.

7 (iv) The transaction does not create a security interest that  
8 secures an obligation.

9 (u) "Consignor" means a person that delivers goods to a  
10 consignee in a consignment.

11 (v) "Consumer debtor" means a debtor in a consumer  
12 transaction.

13 (w) "Consumer goods" means goods that are used or bought for  
14 use primarily for personal, family, or household purposes.

15 (x) "Consumer-goods transaction" means a consumer  
16 transaction in which an individual incurs an obligation primarily  
17 for personal, family, or household purposes and a security  
18 interest in consumer goods secures the obligation.

19 (y) "Consumer obligor" means an obligor who is an individual  
20 and who incurred the obligation as part of a transaction entered  
21 into primarily for personal, family, or household purposes.

22 (z) "Consumer transaction" means a transaction in which an  
23 individual incurs an obligation primarily for personal, family,  
24 or household purposes, a security interest secures the  
25 obligation, and the collateral is held or acquired primarily for  
26 personal, family, or household purposes. The term includes  
27 consumer-goods transactions.

1           (aa) "Continuation statement" means an amendment of a  
2 financing statement which identifies, by its file number, the  
3 initial financing statement to which it relates and indicates  
4 that it is a continuation statement for, or that it is filed to  
5 continue the effectiveness of, the identified financing  
6 statement.

7           (bb) "Debtor" means 1 of the following:

8           (i) A person having an interest, other than a security  
9 interest or other lien, in the collateral, whether or not the  
10 person is an obligor.

11           (ii) A seller of accounts, chattel paper, payment  
12 intangibles, or promissory notes.

13           (iii) A consignee.

14           (cc) "Deposit account" means a demand, time, savings,  
15 passbook, or similar account maintained with a bank. The term  
16 does not include investment property or accounts evidenced by an  
17 instrument.

18           (dd) "Document" means a document of title or a receipt of  
19 the type described in section 7201(2).

20           (ee) "Electronic chattel paper" means chattel paper  
21 evidenced by a record or records consisting of information stored  
22 in an electronic medium.

23           (ff) "Encumbrance" means a right, other than an ownership  
24 interest, in real property. The term includes mortgages and other  
25 liens on real property.

26           (gg) "Equipment" means goods other than inventory, farm  
27 products, or consumer goods.



1           (hh) "Farm products" means goods, other than standing  
2 timber, with respect to which the debtor is engaged in a farming  
3 operation and which are 1 of the following:

4           (i) Crops grown, growing, or to be grown, including crops  
5 produced on trees, vines, and bushes, and aquatic goods produced  
6 in aquacultural operations.

7           (ii) Livestock, born or unborn, including aquatic goods  
8 produced in aquacultural operations.

9           (iii) Supplies used or produced in a farming operation.

10          (iv) Products of crops or livestock in their unmanufactured  
11 states.

12          (ii) "Farming operation" means raising, cultivating,  
13 propagating, fattening, grazing, or any other farming, livestock,  
14 or aquacultural operation.

15          (jj) "File number" means the number assigned to an initial  
16 financing statement pursuant to section 9519(1).

17          (kk) "Filing office" means an office designated in section  
18 9501 as the place to file a financing statement.

19          (ll) "Filing-office rule" means a rule adopted pursuant to  
20 section 9526.

21          (mm) "Financing statement" means a record or records  
22 composed of an initial financing statement and any filed record  
23 relating to the initial financing statement.

24          (nn) "Fixture filing" means the filing of a financing  
25 statement covering goods that are or are to become fixtures and  
26 satisfying section 9502(1) and (2). The term includes the filing  
27 of a financing statement covering goods of a transmitting utility

1 which are or are to become fixtures.

2 (oo) "Fixtures" means goods that have become so related to  
3 particular real property that an interest in them arises under  
4 real property law.

5 (pp) "General intangible" means any personal property,  
6 including things in action, other than accounts, chattel paper,  
7 commercial tort claims, deposit accounts, documents, goods,  
8 instruments, investment property, letter-of-credit rights,  
9 letters of credit, money, and oil, gas, or other minerals before  
10 extraction. The term includes payment intangibles and software.

11 ~~—— (qq) "Good faith" means honesty in fact and the observance  
12 of reasonable commercial standards of fair dealing.~~

13 (QQ) ~~(rr)~~ "Goods" means all things that are movable when a  
14 security interest attaches. The term includes fixtures, standing  
15 timber that is to be cut and removed under a conveyance or  
16 contract for sale, the unborn young of animals, crops grown,  
17 growing, or to be grown, even if the crops are produced on trees,  
18 vines, or bushes, and manufactured homes. The term also includes  
19 a computer program embedded in goods and any supporting  
20 information provided in connection with a transaction relating to  
21 the program if the program is associated with the goods in such a  
22 manner that it customarily is considered part of the goods, or by  
23 becoming the owner of the goods, a person acquires a right to use  
24 the program in connection with the goods. The term does not  
25 include a computer program embedded in goods that consist solely  
26 of the medium in which the program is embedded. The term also  
27 does not include accounts, chattel paper, commercial tort claims,

1 deposit accounts, documents, general intangibles, instruments,  
2 investment property, letter-of-credit rights, letters of credit,  
3 money, or oil, gas, or other minerals before extraction.

4       **(RR)** ~~(ss)~~—"Governmental unit" means a subdivision, agency,  
5 department, county, parish, municipality, or other unit of the  
6 government of the United States, a state, or a foreign country.  
7 The term includes an organization having a separate corporate  
8 existence if the organization is eligible to issue debt on which  
9 interest is exempt from income taxation under the laws of the  
10 United States.

11       **(SS)** ~~(tt)~~—"Health-care-insurance receivable" means an  
12 interest in or claim under a policy of insurance which is a right  
13 to payment of a monetary obligation for health-care goods or  
14 services provided.

15       **(TT)** ~~(uu)~~—"Instrument" means a negotiable instrument or any  
16 other writing that evidences a right to the payment of a monetary  
17 obligation, is not itself a security agreement or lease, and is  
18 of a type that in ordinary course of business is transferred by  
19 delivery with any necessary indorsement or assignment. The term  
20 does not include investment property, letters of credit, or  
21 writings that evidence a right to payment arising out of the use  
22 of a credit or charge card or information contained on or for use  
23 with the card.

24       **(UU)** ~~(vv)~~—"Inventory" means goods, other than farm products,  
25 that meet 1 of the following:

26       (i) Are leased by a person as lessor.

27       (ii) Are held by a person for sale or lease or to be

1 furnished under a contract of service.

2 (iii) Are furnished by a person under a contract of service.

3 (iv) Consist of raw materials, work in process, or materials  
4 used or consumed in a business.

5 (VV) ~~(ww)~~—"Investment property" means a security, whether  
6 certificated or uncertificated, security entitlement, securities  
7 account, commodity contract, or commodity account.

8 (WW) ~~(xx)~~—"Jurisdiction of organization", with respect to a  
9 registered organization, means the jurisdiction under whose law  
10 the organization is **FORMED OR** organized.

11 (XX) ~~(yy)~~—"Letter-of-credit right" means a right to payment  
12 or performance under a letter of credit, whether or not the  
13 beneficiary has demanded or is at the time entitled to demand  
14 payment or performance. The term does not include the right of a  
15 beneficiary to demand payment or performance under a letter of  
16 credit.

17 (YY) ~~(zz)~~—"Lien creditor" means 1 or more of the following:

18 (i) A creditor that has acquired a lien on the property  
19 involved by attachment, levy, or the like.

20 (ii) An assignee for benefit of creditors from the time of  
21 assignment.

22 (iii) A trustee in bankruptcy from the date of the filing of  
23 the petition.

24 (iv) A receiver in equity from the time of appointment.

25 (ZZ) ~~(aaa)~~—"Manufactured home" means a structure,  
26 transportable in 1 or more sections, which, in the traveling  
27 mode, is 8 body feet or more in width or 40 body feet or more in

1 length, or when erected on site, is 320 or more square feet, and  
2 which is built on a permanent chassis and designed to be used as  
3 a dwelling with or without a permanent foundation when connected  
4 to the required utilities, and includes the plumbing, heating,  
5 air-conditioning, and electrical systems contained therein. The  
6 term includes any structure that meets all of the requirements of  
7 this paragraph except the size requirements and with respect to  
8 which the manufacturer voluntarily files a certification required  
9 by the secretary of the department of housing and urban  
10 development and complies with the standards established under  
11 title 42 of the United States Code.

12       **(AAA)** ~~(bbb)~~—"Manufactured-home transaction" means a secured  
13 transaction that creates a purchase-money security interest in a  
14 manufactured home, other than a manufactured home held as  
15 inventory, or in which a manufactured home, other than a  
16 manufactured home held as inventory, is the primary collateral.

17       **(BBB)** ~~(ccc)~~—"Mortgage" means a consensual interest in real  
18 property, including fixtures, which secures payment or  
19 performance of an obligation.

20       **(CCC)** ~~(ddd)~~—"New debtor" means a person that becomes bound  
21 as debtor under section 9203(4) by a security agreement  
22 previously entered into by another person.

23       **(DDD)** ~~(eee)~~—"New value" means money, money's worth in  
24 property, services, or new credit, or release by a transferee of  
25 an interest in property previously transferred to the transferee.  
26 The term does not include an obligation substituted for another  
27 obligation.

1           **(EEE)** ~~(fff)~~—"Noncash proceeds" means proceeds other than  
2 cash proceeds.

3           **(FFF)** ~~(ggg)~~—"Obligor" means a person that, with respect to  
4 an obligation secured by a security interest in or an  
5 agricultural lien on the collateral, owes payment or other  
6 performance of the obligation, has provided property other than  
7 the collateral to secure payment or other performance of the  
8 obligation, or is otherwise accountable in whole or in part for  
9 payment or other performance of the obligation. The term does not  
10 include issuers or nominated persons under a letter of credit.

11           **(GGG)** ~~(hhh)~~—"Original debtor" means, except as used in  
12 section 9310(3), a person that, as debtor, entered into a  
13 security agreement to which a new debtor has become bound under  
14 section 9203(4).

15           **(HHH)** ~~(iii)~~—"Payment intangible" means a general intangible  
16 under which the account debtor's principal obligation is a  
17 monetary obligation.

18           **(III)** ~~(jjj)~~—"Person related to", with respect to an  
19 individual, means 1 or more of the following:

20           (i) The spouse of the individual.

21           (ii) A brother, brother-in-law, sister, or sister-in-law of  
22 the individual.

23           (iii) An ancestor or lineal descendant of the individual or  
24 the individual's spouse.

25           (iv) Any other relative, by blood or marriage, of the  
26 individual or the individual's spouse who shares the same home  
27 with the individual.

1           **(JJJ)** ~~(kkk)~~—"Person related to", with respect to an  
2 organization, means 1 or more of the following:

3           (i) A person directly or indirectly controlling, controlled  
4 by, or under common control with the organization.

5           (ii) An officer or director of, or a person performing  
6 similar functions with respect to, the organization.

7           (iii) An officer or director of, or a person performing  
8 similar functions with respect to, a person described in  
9 subparagraph (i).

10           (iv) The spouse of an individual described in subparagraph  
11 (i), (ii), or (iii).

12           (v) An individual who is related by blood or marriage to an  
13 individual described in subparagraph (i), (ii), (iii), or (iv) and  
14 shares the same home with the individual.

15           **(KKK)** ~~(lll)~~—"Proceeds" means, except as used in section  
16 9609(2), 1 or more of the following property:

17           (i) Whatever is acquired upon the sale, lease, license,  
18 exchange, or other disposition of collateral.

19           (ii) Whatever is collected on, or distributed on account of,  
20 collateral.

21           (iii) Rights arising out of collateral.

22           (iv) To the extent of the value of collateral, claims arising  
23 out of the loss, nonconformity, or interference with the use of,  
24 defects or infringement of rights in, or damage to, the  
25 collateral.

26           (v) To the extent of the value of collateral and to the  
27 extent payable to the debtor or the secured party, insurance

1 payable by reason of the loss or nonconformity of, defects or  
2 infringement of rights in, or damage to, the collateral.

3 (III) ~~(mmm)~~—"Promissory note" means an instrument that  
4 evidences a promise to pay a monetary obligation, does not  
5 evidence an order to pay, and does not contain an acknowledgment  
6 by a bank that the bank has received for deposit a sum of money  
7 or funds.

8 (MMM) ~~(nnn)~~—"Proposal" means a record authenticated by a  
9 secured party which includes the terms on which the secured party  
10 is willing to accept collateral in full or partial satisfaction  
11 of the obligation it secures pursuant to sections 9620, 9621, and  
12 9622.

13 (NNN) "PUBLIC ORGANIC RECORD" MEANS A RECORD THAT IS  
14 AVAILABLE TO THE PUBLIC FOR INSPECTION AND IS ANY OF THE  
15 FOLLOWING:

16 (i) A RECORD CONSISTING OF THE RECORD INITIALLY FILED WITH OR  
17 ISSUED BY A STATE OR THE UNITED STATES TO FORM OR ORGANIZE AN  
18 ORGANIZATION AND ANY RECORD FILED WITH OR ISSUED BY THE STATE OR  
19 THE UNITED STATES WHICH AMENDS OR RESTATES THE INITIAL RECORD.

20 (ii) AN ORGANIC RECORD OF A BUSINESS TRUST CONSISTING OF THE  
21 RECORD INITIALLY FILED WITH A STATE AND ANY RECORD FILED WITH THE  
22 STATE WHICH AMENDS OR RESTATES THE INITIAL RECORD, IF A STATUTE  
23 OF THE STATE GOVERNING BUSINESS TRUSTS REQUIRES THAT THE RECORD  
24 BE FILED WITH THE STATE.

25 (iii) A RECORD CONSISTING OF LEGISLATION ENACTED BY THE  
26 LEGISLATURE OF A STATE OR THE CONGRESS OF THE UNITED STATES WHICH  
27 FORMS OR ORGANIZES AN ORGANIZATION, ANY RECORD AMENDING THE



1 LEGISLATION, AND ANY RECORD FILED WITH OR ISSUED BY THE STATE OR  
2 THE UNITED STATES WHICH AMENDS OR RESTATES THE NAME OF THE  
3 ORGANIZATION.

4 (ooo) "Pursuant to commitment", with respect to an advance  
5 made or other value given by a secured party, means pursuant to  
6 the secured party's obligation, whether or not a subsequent event  
7 of default or other event not within the secured party's control  
8 has relieved or may relieve the secured party from its  
9 obligation.

10 (ppp) "Record", except as used in "for record", "of record",  
11 "record or legal title", and "record owner", means information  
12 that is inscribed on a tangible medium or which is stored in an  
13 electronic or other medium and is retrievable in perceivable  
14 form.

15 (qqq) "Registered organization" means an organization  
16 organized solely under the law of a single state or the United  
17 States ~~and as to which the state or the United States must~~  
18 ~~maintain a public record showing the organization to have been~~  
19 ~~organized.~~ **BY THE FILING OF A PUBLIC ORGANIC RECORD WITH, THE**  
20 **ISSUANCE OF A PUBLIC ORGANIC RECORD BY, OR THE ENACTMENT OF**  
21 **LEGISLATION BY THE STATE OR THE UNITED STATES. THE TERM INCLUDES**  
22 **A BUSINESS TRUST THAT IS FORMED OR ORGANIZED UNDER THE LAW OF A**  
23 **SINGLE STATE IF A STATUTE OF THE STATE GOVERNING BUSINESS TRUSTS**  
24 **REQUIRES THAT THE BUSINESS TRUST'S ORGANIC RECORD BE FILED WITH**  
25 **THE STATE.**

26 (rrr) "Secondary obligor" means an obligor to the extent  
27 that the obligor's obligation is secondary or the obligor has a

1 right of recourse with respect to an obligation secured by  
2 collateral against the debtor, another obligor, or property of  
3 either.

4 (sss) "Secured party" means 1 or more of the following:

5 (i) A person in whose favor a security interest is created or  
6 provided for under a security agreement, whether or not any  
7 obligation to be secured is outstanding.

8 (ii) A person that holds an agricultural lien.

9 (iii) A consignor.

10 (iv) A person to which accounts, chattel paper, payment  
11 intangibles, or promissory notes have been sold.

12 (v) A trustee, indenture trustee, agent, collateral agent,  
13 or other representative in whose favor a security interest or  
14 agricultural lien is created or provided for.

15 (vi) A person that holds a security interest arising under  
16 section 2401, 2505, 2711(3), 2A508(5), 4210, or 5118.

17 (ttt) "Security agreement" means an agreement that creates  
18 or provides for a security interest.

19 (uuu) "Send", in connection with a record or notification,  
20 means 1 of the following:

21 (i) To deposit in the mail, deliver for transmission, or  
22 transmit by any other usual means of communication, with postage  
23 or cost of transmission provided for, addressed to any address  
24 reasonable under the circumstances.

25 (ii) To cause the record or notification to be received  
26 within the time that it would have been received if properly sent  
27 under subparagraph (i).

1 (vvv) "Software" means a computer program and any supporting  
2 information provided in connection with a transaction relating to  
3 the program. The term does not include a computer program that is  
4 included in the definition of goods.

5 (www) "State" means a state of the United States, the  
6 District of Columbia, Puerto Rico, the United States Virgin  
7 Islands, or any territory or insular possession subject to the  
8 jurisdiction of the United States.

9 (xxx) "Supporting obligation" means a letter-of-credit right  
10 or secondary obligation that supports the payment or performance  
11 of an account, chattel paper, a document, a general intangible,  
12 an instrument, or investment property.

13 (yyy) "Tangible chattel paper" means chattel paper evidenced  
14 by a record or records consisting of information that is  
15 inscribed on a tangible medium.

16 (zzz) "Termination statement" means an amendment of a  
17 financing statement that identifies, by its file number, the  
18 initial financing statement to which it relates and indicates  
19 either that it is a termination statement or that the identified  
20 financing statement is no longer effective.

21 (aaaa) "Transmitting utility" means a person primarily  
22 engaged in the business of 1 of the following:

23 (i) Operating a railroad, subway, street railway, or trolley  
24 bus.

25 (ii) Transmitting communications electrically,  
26 electromagnetically, or by light.

27 (iii) Transmitting goods by pipeline or sewer.

1 (iv) Transmitting or producing and transmitting electricity,  
2 steam, gas, or water.

3 (2) ~~The~~ **"CONTROL" AS PROVIDED IN SECTION 7106 AND THE**  
4 following definitions in other articles apply to this article:

5	"Applicant"	Section 5102
6	"Beneficiary"	Section 5102
7	"Broker"	Section 8102
8	"Certificated security"	Section 8102
9	"Check"	Section 3104
10	"Clearing corporation"	Section 8102
11	"Contract for sale"	Section 2106
12	"Customer"	Section 4104
13	"Entitlement holder"	Section 8102
14	"Financial asset"	Section 8102
15	"Holder in due course"	Section 3302
16	<b>"ISSUER" (WITH RESPECT TO A DOCUMENT</b>	
17	<b>OF TITLE)</b>	<b>SECTION 7102</b>
18	"Issuer" (with respect to a letter	
19	of credit or letter-of-credit right)	Section 5102
20	"Issuer" (with respect to a security)	Section 8201
21	"Lease"	Section 2A103
22	"Lease agreement"	Section 2A103
23	"Lease contract"	Section 2A103
24	"Leasehold interest"	Section 2A103
25	"Lessee"	Section 2A103
26	"Lessee in ordinary course of business"	Section 2A103
27	"Lessor"	Section 2A103
28	"Lessor's residual interest"	Section 2A103
29	"Letter of credit"	Section 5102
30	"Merchant"	Section 2104

1	"Negotiable instrument"	Section 3104
2	"Nominated person"	Section 5102
3	"Note"	Section 3104
4	"Proceeds of a letter of credit"	Section 5114
5	"Prove"	Section 3103
6	"Sale"	Section 2106
7	"Securities account"	Section 8501
8	"Securities intermediary"	Section 8102
9	"Security"	Section 8102
10	"Security certificate"	Section 8102
11	"Security entitlement"	Section 8102
12	"Uncertificated security"	Section 8102.

13           (3) Article 1 contains general definitions and principles of  
14 construction and interpretation applicable throughout this  
15 article.

16           Sec. 9203. (1) A security interest attaches to collateral  
17 when it becomes enforceable against the debtor with respect to  
18 the collateral, unless an agreement expressly postpones the time  
19 of attachment.

20           (2) Except as otherwise provided in subsections (3) through  
21 (9), a security interest is enforceable against the debtor and  
22 third parties with respect to the collateral only if all of the  
23 following are met:

24           (a) Value has been given.

25           (b) The debtor has rights in the collateral or the power to  
26 transfer rights in the collateral to a secured party.

27           (c) One or more of the following conditions are met:

28           (i) The debtor has authenticated a security agreement that

1 provides a description of the collateral and, if the security  
2 interest covers timber to be cut, a description of the land  
3 concerned.

4 (ii) The collateral is not a certificated security and is in  
5 the possession of the secured party under section 9313 pursuant  
6 to the debtor's security agreement.

7 (iii) The collateral is a certificated security in registered  
8 form and the security certificate has been delivered to the  
9 secured party under section 8301 pursuant to the debtor's  
10 security agreement.

11 (iv) The collateral is deposit accounts, electronic chattel  
12 paper, investment property, ~~or~~ letter-of-credit rights, **OR**  
13 **ELECTRONIC DOCUMENTS**, and the secured party has control under  
14 section **7106**, 9104, 9105, 9106, or 9107 pursuant to the debtor's  
15 security agreement.

16 (3) Subsection (2) is subject to section 4210 on the  
17 security interest of a collecting bank, section 5118 on the  
18 security interest of a letter-of-credit issuer or nominated  
19 person, section 9110 on a security interest arising under article  
20 2 or 2A, and section 9206 on security interests in investment  
21 property.

22 (4) A person becomes bound as debtor by a security agreement  
23 entered into by another person if, by operation of law other than  
24 this article or by contract, either of the following occurs:

25 (a) The security agreement becomes effective to create a  
26 security interest in the person's property.

27 (b) The person becomes generally obligated for the

1 obligations of the other person, including the obligation secured  
2 under the security agreement, and acquires or succeeds to all or  
3 substantially all of the assets of the other person.

4 (5) If a new debtor becomes bound as debtor by a security  
5 agreement entered into by another person, the agreement satisfies  
6 subsection (2)(c) with respect to existing or after-acquired  
7 property of the new debtor to the extent the property is  
8 described in the agreement, and another agreement is not  
9 necessary to make a security interest in the property  
10 enforceable.

11 (6) The attachment of a security interest in collateral  
12 gives the secured party the rights to proceeds provided by  
13 section 9315 and is also attachment of a security interest in a  
14 supporting obligation for the collateral.

15 (7) The attachment of a security interest in a right to  
16 payment or performance secured by a security interest or other  
17 lien on personal or real property is also attachment of a  
18 security interest in the security interest, mortgage, or other  
19 lien.

20 (8) The attachment of a security interest in a securities  
21 account is also attachment of a security interest in the security  
22 entitlements carried in the securities account.

23 (9) The attachment of a security interest in a commodity  
24 account is also attachment of a security interest in the  
25 commodity contracts carried in the commodity account.

26 Sec. 9207. (1) Except as otherwise provided in subsection  
27 (4), a secured party shall use reasonable care in the custody and

1 preservation of collateral in the secured party's possession. In  
2 the case of chattel paper or an instrument, reasonable care  
3 includes taking necessary steps to preserve rights against prior  
4 parties unless otherwise agreed.

5 (2) Except as otherwise provided in subsection (4), if a  
6 secured party has possession of collateral all of the following  
7 apply:

8 (a) Reasonable expenses, including the cost of insurance and  
9 payment of taxes or other charges, incurred in the custody,  
10 preservation, use, or operation of the collateral are chargeable  
11 to the debtor and are secured by the collateral.

12 (b) The risk of accidental loss or damage is on the debtor  
13 to the extent of a deficiency in any effective insurance  
14 coverage.

15 (c) The secured party shall keep the collateral  
16 identifiable, but fungible collateral may be commingled.

17 (d) The secured party may use or operate the collateral for  
18 the purpose of preserving the collateral or its value; as  
19 permitted by an order of a court having competent jurisdiction;  
20 or except in the case of consumer goods, in the manner and to the  
21 extent agreed by the debtor.

22 (3) Except as otherwise provided in subsection (4), a  
23 secured party having possession of collateral or control of  
24 collateral under section 7106, 9104, 9105, 9106, or 9107 may hold  
25 as additional security any proceeds, except money or funds,  
26 received from the collateral, shall apply money or funds received  
27 from the collateral to reduce the secured obligation unless



1 remitted to the debtor, and may create a security interest in the  
2 collateral.

3 (4) If the secured party is a buyer of accounts, chattel  
4 paper, payment intangibles, or promissory notes or a consignor,  
5 subsections (2) and (3) do not apply, and subsection (1) does not  
6 apply unless the secured party is entitled under an agreement to  
7 charge back uncollected collateral or otherwise to full or  
8 limited recourse against the debtor or a secondary obligor based  
9 on the nonpayment or other default of an account debtor or other  
10 obligor on the collateral.

11 Sec. 9208. (1) This section applies to cases in which there  
12 is no outstanding secured obligation and the secured party is not  
13 committed to make advances, incur obligations, or otherwise give  
14 value.

15 (2) Within 10 days after receiving an authenticated demand  
16 by the debtor, a secured party shall do all of the following that  
17 apply to the secured party:

18 (a) A secured party having control of a deposit account  
19 under section 9104(1)(b) shall send to the bank with which the  
20 deposit account is maintained an authenticated statement that  
21 releases the bank from any further obligation to comply with  
22 instructions originated by the secured party.

23 (b) A secured party having control of a deposit account  
24 under section 9104(1)(c) shall pay the debtor the balance on  
25 deposit in the deposit account or transfer the balance on deposit  
26 into a deposit account in the debtor's name.

27 (c) A secured party, other than a buyer, having control of

1 electronic chattel paper under section 9105 shall do all of the  
2 following:

3 (i) Communicate the authoritative copy of the electronic  
4 chattel paper to the debtor or its designated custodian.

5 (ii) If the debtor designates a custodian that is the  
6 designated custodian with which the authoritative copy of the  
7 electronic chattel paper is maintained for the secured party,  
8 communicate to the custodian an authenticated record releasing  
9 the designated custodian from any further obligation to comply  
10 with instructions originated by the secured party and instructing  
11 the custodian to comply with instructions originated by the  
12 debtor.

13 (iii) Take appropriate action to enable the debtor or its  
14 designated custodian to make copies of or revisions to the  
15 authoritative copy that add or change an identified assignee of  
16 the authoritative copy without the consent of the secured party.

17 (d) A secured party having control of investment property  
18 under section 8106(4)(b) or section 9106(2) shall send to the  
19 securities intermediary or commodity intermediary with which the  
20 security entitlement or commodity contract is maintained an  
21 authenticated record that releases the securities intermediary or  
22 commodity intermediary from any further obligation to comply with  
23 entitlement orders or directions originated by the secured party.

24 (e) A secured party having control of a letter-of-credit  
25 right under section 9107 shall send to each person having an  
26 unfulfilled obligation to pay or deliver proceeds of the letter  
27 of credit to the secured party an authenticated release from any

1 further obligation to pay or deliver proceeds of the letter of  
2 credit to the secured party.

3 (F) A SECURED PARTY HAVING CONTROL OF AN ELECTRONIC DOCUMENT  
4 SHALL DO ALL OF THE FOLLOWING:

5 (i) GIVE CONTROL OF THE ELECTRONIC DOCUMENT TO THE DEBTOR OR  
6 ITS DESIGNATED CUSTODIAN.

7 (ii) IF THE DEBTOR DESIGNATES A CUSTODIAN THAT IS THE  
8 DESIGNATED CUSTODIAN WITH WHICH THE AUTHORITATIVE COPY OF THE  
9 ELECTRONIC DOCUMENT IS MAINTAINED FOR THE SECURED PARTY,  
10 COMMUNICATE TO THE CUSTODIAN AN AUTHENTICATED RECORD RELEASING  
11 THE DESIGNATED CUSTODIAN FROM ANY FURTHER OBLIGATION TO COMPLY  
12 WITH INSTRUCTIONS ORIGINATED BY THE SECURED PARTY AND INSTRUCTING  
13 THE CUSTODIAN TO COMPLY WITH INSTRUCTIONS ORIGINATED BY THE  
14 DEBTOR.

15 (iii) TAKE APPROPRIATE ACTION TO ENABLE THE DEBTOR OR ITS  
16 DESIGNATED CUSTODIAN TO MAKE COPIES OF OR REVISIONS TO THE  
17 AUTHORITATIVE COPY WHICH ADD OR CHANGE AN IDENTIFIED ASSIGNEE OF  
18 THE AUTHORITATIVE COPY WITHOUT THE CONSENT OF THE SECURED PARTY.

19 Sec. 9301. Except as otherwise provided in sections 9303  
20 through 9306, the following rules determine the law governing  
21 perfection, the effect of perfection or nonperfection, and the  
22 priority of a security interest in collateral:

23 (a) Except as otherwise provided in this section, while a  
24 debtor is located in a jurisdiction, the local law of that  
25 jurisdiction governs perfection, the effect of perfection or  
26 nonperfection, and the priority of a security interest in  
27 collateral.

1 (b) While collateral is located in a jurisdiction, the local  
2 law of that jurisdiction governs perfection, the effect of  
3 perfection or nonperfection, and the priority of a possessory  
4 security interest in that collateral.

5 (c) Except as otherwise provided in subdivision (d), while  
6 **TANGIBLE** negotiable documents, goods, instruments, money, or  
7 tangible chattel paper is located in a jurisdiction, the local  
8 law of that jurisdiction governs perfection of a security  
9 interest in the goods by filing a fixture filing, perfection of a  
10 security interest in timber to be cut, and the effect of  
11 perfection or nonperfection and the priority of a nonpossessory  
12 security interest in the collateral.

13 (d) The local law of the jurisdiction in which the wellhead  
14 or minehead is located governs perfection, the effect of  
15 perfection or nonperfection, and the priority of a security  
16 interest in as-extracted collateral.

17 Sec. 9310. (1) Except as otherwise provided in subsection  
18 (2) and section 9312(2), a financing statement must be filed to  
19 perfect all security interests and agricultural liens.

20 (2) The filing of a financing statement is not necessary to  
21 perfect 1 or more of the following:

22 (a) A security interest that is perfected under section  
23 9308(4), (5), (6), or (7).

24 (b) A security interest that is perfected under section 9309  
25 when it attaches.

26 (c) A security interest in property subject to a statute,  
27 regulation, or treaty described in section 9311(1).

1 (d) A security interest in goods in possession of a bailee  
2 that is perfected under section 9312(4)(a) or (b).

3 (e) A security interest in certificated securities,  
4 documents, goods, or instruments that is perfected without  
5 filing, **CONTROL**, or possession under section 9312(5), (6), or  
6 (7).

7 (f) A security interest in collateral in the secured party's  
8 possession under section 9313.

9 (g) A security interest in a certificated security that is  
10 perfected by delivery of the security certificate to the secured  
11 party under section 9313.

12 (h) A security interest in deposit accounts, electronic  
13 chattel paper, **ELECTRONIC DOCUMENTS**, investment property, or  
14 letter-of-credit rights that is perfected by control under  
15 section 9314.

16 (i) A security interest in proceeds that is perfected under  
17 section 9315.

18 (j) A security interest that is perfected under section  
19 9316.

20 (3) If a secured party assigns a perfected security interest  
21 or agricultural lien, a filing under this article is not required  
22 to continue the perfected status of the security interest against  
23 creditors of and transferees from the original debtor.

24 Sec. 9312. (1) A security interest in chattel paper,  
25 negotiable documents, instruments, or investment property may be  
26 perfected by filing.

27 (2) Except as otherwise provided in section 9315(3) and (4)

1 for proceeds, a security interest in a deposit account, a letter-  
2 of-credit right, or money may be perfected only as follows:

3 (a) A security interest in a deposit account may be  
4 perfected only by control under section 9314.

5 (b) Except as otherwise provided in section 9308(4), a  
6 security interest in a letter-of-credit right may be perfected  
7 only by control under section 9314.

8 (c) A security interest in money may be perfected only by  
9 the secured party's taking possession under section 9313.

10 (3) While goods are in the possession of a bailee that has  
11 issued a negotiable document covering the goods, a security  
12 interest in the goods may be perfected by perfecting a security  
13 interest in the document, and a security interest perfected in  
14 the document has priority over any security interest that becomes  
15 perfected in the goods by another method during that time.

16 (4) While goods are in the possession of a bailee that has  
17 issued a nonnegotiable document covering the goods, a security  
18 interest in the goods may be perfected by 1 or more of the  
19 following:

20 (a) Issuance of a document in the name of the secured party.

21 (b) The bailee's receipt of notification of the secured  
22 party's interest.

23 (c) Filing as to the goods.

24 (5) A security interest in certificated securities,  
25 negotiable documents, or instruments is perfected without filing  
26 or the taking of possession **OR CONTROL** for a period of 20 days  
27 from the time it attaches to the extent that it arises for new

1 value given under an authenticated security agreement.

2 (6) A perfected security interest in a negotiable document  
3 or goods in possession of a bailee, other than one that has  
4 issued a negotiable document for the goods, remains perfected for  
5 20 days without filing if the secured party makes available to  
6 the debtor the goods or documents representing the goods for the  
7 purpose of ultimate sale or exchange, or for the purpose of  
8 loading, unloading, storing, shipping, transshipping,  
9 manufacturing, processing, or otherwise dealing with them in a  
10 manner preliminary to their sale or exchange:

11 (7) A perfected security interest in a certificated security  
12 or instrument remains perfected for 20 days without filing if the  
13 secured party delivers the security certificate or instrument to  
14 the debtor for the purpose of ultimate sale or exchange or for  
15 the purpose of presentation, collection, enforcement, renewal, or  
16 registration of transfer.

17 (8) After the 20-day period specified in subsection (5),  
18 (6), or (7) expires, perfection depends upon compliance with this  
19 article.

20 Sec. 9313. (1) Except as otherwise provided in subsection  
21 (2), a secured party may perfect a security interest in **TANGIBLE**  
22 negotiable documents, goods, instruments, money, or tangible  
23 chattel paper by taking possession of the collateral. A secured  
24 party may perfect a security interest in certificated securities  
25 by taking delivery of the certificated securities under section  
26 8301.

27 (2) With respect to goods covered by a certificate of title

1 issued by this state, a secured party may perfect a security  
2 interest in the goods by taking possession of the goods only in  
3 the circumstances described in section 9316(5).

4 (3) With respect to collateral other than certificated  
5 securities and goods covered by a document, a secured party takes  
6 possession of collateral in the possession of a person other than  
7 the debtor, the secured party, or a lessee of the collateral from  
8 the debtor in the ordinary course of the debtor's business, when  
9 the person in possession authenticates a record acknowledging  
10 that it holds possession of the collateral for the secured  
11 party's benefit, or the person takes possession of the collateral  
12 after having authenticated a record acknowledging that it will  
13 hold possession of collateral for the secured party's benefit.

14 (4) If the perfection of a security interest depends upon  
15 possession of the collateral by a secured party, perfection  
16 occurs no earlier than the time the secured party takes  
17 possession and continues only while the secured party retains  
18 possession.

19 (5) A security interest in a certificated security in  
20 registered form is perfected by delivery when delivery of the  
21 certificated security occurs under section 8301 and remains  
22 perfected by delivery until the debtor obtains possession of the  
23 security certificate.

24 (6) A person in possession of collateral is not required to  
25 acknowledge that it holds possession for a secured party's  
26 benefit.

27 (7) If a person acknowledges that it holds possession for



1 the secured party's benefit, the acknowledgment is effective  
2 under subsection (3) or section 8301(1), even if the  
3 acknowledgment violates the rights of a debtor, and unless the  
4 person otherwise agrees or law other than this article otherwise  
5 provides, the person does not owe any duty to the secured party  
6 and is not required to confirm the acknowledgment to another  
7 person.

8 (8) A secured party having possession of collateral does not  
9 relinquish possession by delivering the collateral to a person  
10 other than the debtor or a lessee of the collateral from the  
11 debtor in the ordinary course of the debtor's business if the  
12 person was instructed before the delivery or is instructed  
13 contemporaneously with the delivery to hold possession of the  
14 collateral for the secured party's benefit, or to redeliver the  
15 collateral to the secured party.

16 (9) A secured party does not relinquish possession, even if  
17 a delivery under subsection (8) violates the rights of a debtor.  
18 A person to which collateral is delivered under subsection (8)  
19 does not owe any duty to the secured party and is not required to  
20 confirm the delivery to another person unless the person  
21 otherwise agrees or law other than this article otherwise  
22 provides.

23 Sec. 9314. (1) A security interest in investment property,  
24 deposit accounts, letter-of-credit rights, ~~or~~ electronic chattel  
25 paper, **OR ELECTRONIC DOCUMENTS** may be perfected by control of the  
26 collateral under section **7106**, 9104, 9105, 9106, or 9107.

27 (2) A security interest in deposit accounts, electronic

1 chattel paper, ~~or~~ letter-of-credit rights, **OR ELECTRONIC**  
2 **DOCUMENTS** is perfected by control under section **7106**, 9104, 9105,  
3 or 9107 when the secured party obtains control and remains  
4 perfected by control only while the secured party retains  
5 control.

6 (3) A security interest in investment property is perfected  
7 by control under section 9106 from the time the secured party  
8 obtains control and remains perfected by control until both of  
9 the following occur:

10 (a) The secured party does not have control.

11 (b) One of the following occurs:

12 (i) If the collateral is a certificated security, the debtor  
13 has or acquires possession of the security certificate.

14 (ii) If the collateral is an uncertificated security, the  
15 issuer has registered or registers the debtor as the registered  
16 owner.

17 (iii) If the collateral is a security entitlement, the debtor  
18 is or becomes the entitlement holder.

19 Sec. 9317. (1) A security interest or agricultural lien is  
20 subordinate to the rights of 1 or more of the following:

21 (a) A person entitled to priority under section 9322.

22 (b) Except as otherwise provided in subsection (5), a person  
23 that becomes a lien creditor before the earlier of the following:

24 (i) The time the security interest or agricultural lien is  
25 perfected.

26 (ii) The time 1 of the conditions specified in section  
27 9203(2)(c) is met and a financing statement covering the

1 collateral is filed.

2 (2) Except as otherwise provided in subsection (5), a buyer,  
3 other than a secured party, of tangible chattel paper, **TANGIBLE**  
4 documents, goods, instruments, or a **CERTIFICATED** security  
5 ~~certificate~~ takes free of a security interest or agricultural  
6 lien if the buyer gives value and receives delivery of the  
7 collateral without knowledge of the security interest or  
8 agricultural lien and before it is perfected.

9 (3) Except as otherwise provided in subsection (5), a lessee  
10 of goods takes free of a security interest or agricultural lien  
11 if the lessee gives value and receives delivery of the collateral  
12 without knowledge of the security interest or agricultural lien  
13 and before it is perfected.

14 (4) A licensee of a general intangible or a buyer, other  
15 than a secured party, of ~~accounts, electronic chattel paper,~~  
16 ~~general intangibles, or investment property other than~~ **COLLATERAL**  
17 **OTHER THAN TANGIBLE CHATTEL PAPER, TANGIBLE DOCUMENTS, GOODS,**  
18 **INSTRUMENTS, OR** a certificated security takes free of a security  
19 interest if the licensee or buyer gives value without knowledge  
20 of the security interest and before it is perfected.

21 (5) Except as otherwise provided in sections 9320 and 9321,  
22 if a person files a financing statement with respect to a  
23 purchase-money security interest before or within 20 days after  
24 the debtor receives delivery of the collateral, the security  
25 interest takes priority over the rights of a buyer, lessee, or  
26 lien creditor that arise between the time the security interest  
27 attaches and the time of filing.

1           Sec. 9338. If a security interest or agricultural lien is  
2 perfected by a filed financing statement providing information  
3 described in section 9516(2)(e) that is incorrect at the time the  
4 financing statement is filed, all of the following apply:

5           (a) The security interest or agricultural lien is  
6 subordinate to a conflicting perfected security interest in the  
7 collateral to the extent that the holder of the conflicting  
8 security interest gives value in reasonable reliance upon the  
9 incorrect information.

10           (b) A purchaser, other than a secured party, of the  
11 collateral takes free of the security interest or agricultural  
12 lien to the extent that, in reasonable reliance upon the  
13 incorrect information, the purchaser gives value and, in the case  
14 of **TANGIBLE** chattel paper, **TANGIBLE** documents, goods,  
15 instruments, or a security certificate, receives delivery of the  
16 collateral.

17           Sec. 9601. (1) After default, a secured party has the rights  
18 provided in this part and, except as otherwise provided in  
19 section 9602, those provided by agreement of the parties. A  
20 secured party may do 1 or more of the following:

21           (a) May reduce a claim to judgment, foreclose, or otherwise  
22 enforce the claim, security interest, or agricultural lien by any  
23 available judicial procedure.

24           (b) If the collateral is documents, may proceed either as to  
25 the documents or as to the goods they cover.

26           (2) A secured party in possession of collateral or control  
27 of collateral under section **7106**, 9104, 9105, 9106, or 9107 has

1 the rights and duties provided in section 9207.

2 (3) The rights under subsections (1) and (2) are cumulative  
3 and may be exercised simultaneously.

4 (4) Except as otherwise provided in subsection (7) and  
5 section 9605, after default, a debtor and an obligor have the  
6 rights provided in this part and by agreement of the parties.

7 (5) If a secured party has reduced its claim to judgment,  
8 the lien of any levy that may be made upon the collateral by  
9 virtue of an execution based upon the judgment relates back to  
10 the earliest of the following:

11 (a) The date of perfection of the security interest or  
12 agricultural lien in the collateral.

13 (b) The date of filing a financing statement covering the  
14 collateral.

15 (c) Any date specified in a statute under which the  
16 agricultural lien was created.

17 (6) A sale pursuant to an execution is a foreclosure of the  
18 security interest or agricultural lien by judicial procedure  
19 within the meaning of this section. A secured party may purchase  
20 at the sale and thereafter hold the collateral free of any other  
21 requirements of this article.

22 (7) Except as otherwise provided in section 9607(3), this  
23 part imposes no duties upon a secured party that is a consignor  
24 or is a buyer of accounts, chattel paper, payment intangibles, or  
25 promissory notes.

26 Enacting section 1. This amendatory act takes effect July 1,  
27 2013.

1           Enacting section 2. This amendatory act does not take effect  
2 unless all of the following bills of the 96th Legislature are  
3 enacted into law:

4           (a) House Bill No. 5081.

5           (b) House Bill No. 5083.