

HOUSE BILL No. 5082

October 18, 2011, Introduced by Reps. Cotter, Lipton and Huuki and referred to the Committee on Banking and Financial Services.

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. Subject to additional definitions contained in
2 the subsequent articles of this act which are applicable to
3 specific articles or parts of this act, and unless the context
4 otherwise requires, **AS USED** in this act:

5 (1) "Action" in the sense of a judicial proceeding includes
6 recoupment, counterclaim, setoff, suit in equity, and any other
7 proceedings in which rights are determined.

8 (2) "Aggrieved party" means a party entitled to resort to a
9 remedy.

10 (3) "Agreement" means the bargain of the parties in fact as
11 found in their language or by implication from other
12 circumstances including course of dealing or usage of trade or
13 course of performance as provided in ~~this act~~ (sections 1205 and
14 2208.)—Whether an agreement has legal consequences is
15 determined by the provisions of this act, if applicable;

1 otherwise by the law of contracts **UNDER** ~~(section 1103.)~~.
2 (Compare "Contract".)

3 (4) "Bank" means any person engaged in the business of
4 banking.

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

9 (6) "Bill of lading" means a document **OF TITLE** evidencing
10 the receipt of goods for shipment issued by a person engaged in
11 the business of **DIRECTLY OR INDIRECTLY** transporting or forwarding
12 goods. ~~, and includes an airbill. "Airbill" means a document~~
13 ~~erving for air transportation as a bill of lading does for~~
14 ~~marine or rail transportation, and includes an air consignment~~
15 ~~note or air waybill. **THE TERM DOES NOT INCLUDE A WAREHOUSE**~~
16 **RECEIPT.**

17 (7) "Branch" includes a separately incorporated foreign
18 branch of a bank.

19 (8) "Burden of establishing a fact" means the burden of
20 persuading the triers of fact that the existence of the fact is
21 more probable than its nonexistence.

22 (9) "Buyer in ordinary course of business" means a person
23 that buys goods in good faith, without knowledge that the sale
24 violates the rights of another person in the good, and in the
25 ordinary course from a person, other than a pawnbroker, in the
26 business of selling goods of that kind. A person buys goods in
27 the ordinary course if the sale to the person comports with the

1 usual or customary practices in the kind of business in which the
 2 seller is engaged or with the seller's own usual or customary
 3 practices. A person that sells oil, gas, or other minerals at the
 4 wellhead or minehead is a person in the business of selling goods
 5 of that kind. A buyer in ordinary course of business may buy for
 6 cash, by exchange of other property, or on secured or unsecured
 7 credit, and may acquire goods or documents of title under a
 8 preexisting contract for sale. Only a buyer that takes possession
 9 of the goods or has a right to recover the goods from the seller
 10 under article 2 may be a buyer in ordinary course of business. A
 11 person that acquires goods in a transfer in bulk or as security
 12 for or in total or partial satisfaction of a money debt is not a
 13 buyer in ordinary course of business.

14 (10) "Conspicuous", ~~:- A term or clause is conspicuous when~~
 15 ~~it is so written that a reasonable person against whom it is to~~
 16 ~~operate ought to have noticed it. A printed heading in capitals~~
 17 ~~(as: non negotiable bill of lading) is conspicuous. Language in~~
 18 ~~the body of a form is "conspicuous" if it is in larger or other~~
 19 ~~contrasting type or color. But in a telegram any stated term is~~
 20 ~~"conspicuous". Whether a term or clause is "conspicuous" or not~~
 21 ~~is for decision by the court. WITH REFERENCE TO A TERM, MEANS SO~~
 22 **WRITTEN, DISPLAYED, OR PRESENTED THAT A REASONABLE PERSON AGAINST**
 23 **WHICH IT IS TO OPERATE OUGHT TO HAVE NOTICED IT. WHETHER A TERM**
 24 **IS "CONSPICUOUS" OR NOT IS A DECISION FOR THE COURT. CONSPICUOUS**
 25 **TERMS INCLUDE ANY OF THE FOLLOWING:**

26 (A) A HEADING IN CAPITALS EQUAL TO OR GREATER IN SIZE THAN
 27 THE SURROUNDING TEXT, OR IN CONTRASTING TYPE, FONT, OR COLOR TO

1 THE SURROUNDING TEXT OF THE SAME OR LESSER SIZE.

2 (B) LANGUAGE IN THE BODY OF A RECORD OR DISPLAY IN LARGER
3 TYPE THAN THE SURROUNDING TEXT, OR IN CONTRASTING TYPE, FONT, OR
4 COLOR TO THE SURROUNDING TEXT OF THE SAME SIZE, OR SET OFF FROM
5 SURROUNDING TEXT OF THE SAME SIZE BY SYMBOLS OR OTHER MARKS THAT
6 CALL ATTENTION TO THE LANGUAGE.

7 (11) "Contract" means the total legal obligation which
8 results from the parties' agreement as affected by this act and
9 any other applicable rules of law. (Compare "Agreement".)

10 (12) "Creditor" includes a general creditor, a secured
11 creditor, a lien creditor and any representative of creditors,
12 including an assignee for the benefit of creditors, a trustee in
13 bankruptcy, a receiver in equity, and an executor or
14 administrator of an insolvent debtor's or assignor's estate.

15 (13) "Defendant" includes a person in the position of
16 defendant in a cross action or counterclaim.

17 (14) "Delivery" with respect **TO AN ELECTRONIC DOCUMENT OF**
18 **TITLE MEANS VOLUNTARY TRANSFER OF CONTROL AND WITH RESPECT** to
19 instruments, **TANGIBLE** documents of title, chattel paper, or
20 certificated securities means voluntary transfer of possession.

21 (15) "Document of title" ~~includes bill of lading, dock~~
22 ~~warrant, dock receipt, warehouse receipt, or order for the~~
23 ~~delivery of goods, and also any other document which~~ **MEANS A**
24 **RECORD THAT** in the regular course of business or financing is
25 treated as adequately evidencing that the person in possession of
26 ~~it~~ **OR CONTROL OF THE RECORD** is entitled to receive, **CONTROL,**
27 hold, and dispose of the ~~document~~ **RECORD** and the goods ~~it~~ **THE**

1 ~~RECORD covers . To be a document of title a document must purport~~
 2 ~~to be issued by or addressed to a bailee and purport to cover~~
 3 ~~goods in the bailee's possession which are either identified or~~
 4 ~~are fungible portions of an identified mass. AND THAT PURPORTS TO~~
 5 ~~BE ISSUED BY OR ADDRESSED TO A BAILEE AND TO COVER GOODS IN THE~~
 6 ~~BAILEE'S POSSESSION WHICH ARE EITHER IDENTIFIED OR ARE FUNGIBLE~~
 7 ~~PORTIONS OF AN IDENTIFIED MASS. THE TERM INCLUDES A BILL OF~~
 8 ~~LADING, TRANSPORT DOCUMENT, DOCK WARRANT, DOCK RECEIPT, WAREHOUSE~~
 9 ~~RECEIPT, AND ORDER FOR DELIVERY OF GOODS. "ELECTRONIC DOCUMENT OF~~
 10 ~~TITLE" MEANS A DOCUMENT OF TITLE EVIDENCED BY A RECORD CONSISTING~~
 11 ~~OF INFORMATION STORED IN AN ELECTRONIC MEDIUM. "TANGIBLE DOCUMENT~~
 12 ~~OF TITLE" MEANS A DOCUMENT OF TITLE EVIDENCED BY A RECORD~~
 13 ~~CONSISTING OF INFORMATION THAT IS INSCRIBED ON A TANGIBLE MEDIUM.~~

14 (16) "Fault" means wrongful act, omission, or breach.

15 (17) "Fungible" with respect to goods or securities means
 16 goods or securities of which any unit is, by nature or usage of
 17 trade, the equivalent of any other like unit. Goods which are not
 18 fungible ~~shall be deemed~~ **ARE CONSIDERED** fungible for the purposes
 19 of this act to the extent that under a particular agreement or
 20 document unlike units are treated as equivalents.

21 (18) "Genuine" means free of forgery or counterfeiting.

22 (19) "Good faith" means honesty in fact in the conduct or
 23 transaction concerned.

24 (20) "Holder" ~~, with respect to a negotiable instrument,~~
 25 ~~means the person in possession if the instrument is payable to~~
 26 ~~bearer or, in the case of an instrument payable to an identified~~
 27 ~~person, if the identified person is in possession. Holder, with~~

1 ~~respect to a document of title, means the person in possession if~~
2 ~~the goods are deliverable to bearer or to the order of the person~~
3 ~~in possession.~~ **MEANS ANY OF THE FOLLOWING:**

4 **(A) A PERSON IN POSSESSION OF A NEGOTIABLE INSTRUMENT THAT**
5 **IS PAYABLE EITHER TO BEARER OR TO AN IDENTIFIED PERSON THAT IS**
6 **THE PERSON IN POSSESSION.**

7 **(B) A PERSON IN POSSESSION OF A NEGOTIABLE TANGIBLE DOCUMENT**
8 **OF TITLE IF THE GOODS ARE DELIVERABLE EITHER TO BEARER OR TO THE**
9 **ORDER OF THE PERSON IN POSSESSION.**

10 **(C) A PERSON IN CONTROL OF A NEGOTIABLE ELECTRONIC DOCUMENT**
11 **OF TITLE.**

12 (21) To "honor" is to pay or to accept and pay, or where a
13 credit so engages to purchase or discount a draft complying with
14 the terms of the credit.

15 (22) "Insolvency proceedings" includes any assignment for
16 the benefit of creditors or other proceedings intended to
17 liquidate or rehabilitate the estate of the person involved.

18 (23) A person is "insolvent" who either has ceased to pay
19 his or her debts in the ordinary course of business or cannot pay
20 his or her debts as they become due or is insolvent within the
21 meaning of the federal bankruptcy law.

22 (24) "Money" means a medium of exchange authorized or
23 adopted by a domestic or foreign government and includes a
24 monetary unit of account established by an intergovernmental
25 organization or by agreement between 2 or more nations.

26 (25) ~~A~~ **SUBJECT TO SUBSECTION (27),** A person has "notice" of
27 a fact ~~when he or she~~ **IF THE PERSON** has actual knowledge of it;

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

10 (26) A person "notifies" or "gives" a notice or notification
11 to another **PERSON** by taking ~~such~~ **THOSE** steps ~~as may be~~ **THAT ARE**
12 reasonably required to inform the other **PERSON** in ordinary
13 course, whether or not ~~such~~ **THE** other **PERSON** actually comes to
14 know of it. ~~A~~ **SUBJECT TO SUBSECTION (27)**, A person "receives" a
15 notice or notification when 1 of the following occurs:

16 (a) It comes to ~~his or her~~ **THAT PERSON'S** attention.

17 (b) It is duly delivered **IN A FORM REASONABLE UNDER THE**
18 **CIRCUMSTANCES** at the place of business through which the contract
19 was made or at ~~any other place~~ **ANOTHER LOCATION** held out by ~~him~~
20 ~~or her~~ **THAT PERSON** as the place for receipt of ~~such~~ **SIMILAR**
21 communications.

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

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

10 (28) "Organization" includes a corporation, government, or
11 governmental subdivision or agency, business trust, estate,
12 trust, partnership or association, 2 or more persons having a
13 joint or common interest, or any other legal or commercial
14 entity.

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

18 (30) "Person" includes an individual or an organization (see
19 section 1102).

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

24 (32) "Purchase" includes taking by sale, discount,
25 negotiation, mortgage, pledge, lien, security interest, issue or
26 reissue, gift, or any other voluntary transaction creating an
27 interest in property.

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

2 (34) "Remedy" means any remedial right to which an aggrieved
3 party is entitled with or without resort to a tribunal.

4 (35) "Representative" includes an agent, an officer of a
5 corporation or association, and a trustee, executor, or
6 administrator of an estate, or any other person empowered to act
7 for another.

8 (36) "Rights" includes remedies.

9 (37) **ALL OF THE FOLLOWING APPLY TO THE TERM "SECURITY**
10 **INTEREST":**

11 (A) "Security interest" means an interest in personal
12 property or fixtures which secures payment or performance of an
13 obligation. The term also includes any interest of a consignor
14 and a buyer of an account, chattel paper, a payment intangible,
15 or a promissory note in a transaction that is subject to article
16 9. The special property interest of a buyer of goods on
17 identification of those goods to a contract for sale under
18 section 2401 is not a "security interest", but a buyer may also
19 acquire a "security interest" by complying with article 9. Except
20 as otherwise provided in section 2505, the right of a seller or
21 lessor of goods under article 2 or 2A to retain or acquire
22 possession of the goods is not a "security interest", but a
23 seller or lessor may also acquire a "security interest" by
24 complying with article 9. The retention or reservation of title
25 by a seller of goods notwithstanding shipment or delivery to the
26 buyer **UNDER** (~~section 2401~~) is limited in effect to a
27 reservation of a "security interest". Whether a transaction

1 creates a lease or security interest is determined by the facts
2 of each case; however, a transaction creates a security interest
3 if the consideration the lessee is to pay the lessor for the
4 right to possession and use of the goods is an obligation for the
5 term of the lease not subject to termination by the lessee, and
6 any of the following:

7 *(i)* ~~(a)~~—The original term of the lease is equal to or greater
8 than the remaining economic life of the goods.

9 *(ii)* ~~(b)~~—The lessee is bound to renew the lease for the
10 remaining economic life of the goods or is bound to become the
11 owner of the goods.

12 *(iii)* ~~(c)~~—The lessee has an option to renew the lease for the
13 remaining economic life of the goods for no additional
14 consideration or nominal additional consideration upon compliance
15 with the lease agreement.

16 *(iv)* ~~(d)~~—The lessee has an option to become the owner of the
17 goods for no additional consideration or nominal additional
18 consideration upon compliance with the lease agreement.

19 **(B)** A transaction does not create a security interest merely
20 because it provides any of the following:

21 *(i)* ~~(a)~~—The present value of the consideration the lessee is
22 obligated to pay the lessor for the right to possession and use
23 of the goods is substantially equal to or is greater than the
24 fair market value of the goods at the time the lease is entered
25 into.

26 *(ii)* ~~(b)~~—The lessee assumes risk of loss of the goods, or
27 agrees to pay taxes, insurance, filing, recording, or

1 registration fees, or service or maintenance costs with respect
2 to the goods.

3 (iii) ~~(e)~~—The lessee has an option to renew the lease or to
4 become the owner of the goods.

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

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

13 (C) As used in this subsection:

14 (i) ~~(a)~~—Additional consideration is not nominal if when the
15 option to renew the lease is granted to the lessee the rent is
16 stated to be the fair market rent for the use of the goods for
17 the term of the renewal determined at the time the option is to
18 be performed, or when the option to become the owner of the goods
19 is granted to the lessee, the price is stated to be the fair
20 market value of the goods determined at the time the option is to
21 be performed. Additional consideration is nominal if it is less
22 than the lessee's reasonably predictable cost of performing under
23 the lease agreement if the option is not exercised.

24 (ii) ~~(b)~~—"Present value" means the amount as of a date
25 certain of 1 or more sums payable in the future, discounted to
26 the date certain. The discount is determined by the interest rate
27 specified by the parties if the rate is not manifestly

1 unreasonable at the time the transaction is entered into;
2 otherwise, the discount is determined by a commercially
3 reasonable rate that takes into account the facts and
4 circumstances of each case at the time the transaction was
5 entered into.

6 (iii) ~~(e)~~—"Reasonably predictable" and "remaining economic
7 life of the goods" are to be determined with reference to the
8 facts and circumstances at the time the transaction is entered
9 into.

10 (38) "Send" in connection with ~~any~~ **A writing, RECORD,** or
11 notice means ~~to deposit in the mail or deliver for transmission~~
12 ~~by any other usual means of communication with postage or cost of~~
13 ~~transmission provided for and properly addressed and in the case~~
14 ~~of an instrument to an address specified thereon or otherwise~~
15 ~~agreed, or if there be none to any address reasonable under the~~
16 ~~circumstances. The receipt of any writing or notice within the~~
17 ~~time at which it would have arrived, if properly sent, has the~~
18 ~~effect of a proper sending.~~ **ANY OF THE FOLLOWING:**

19 (A) **TO DEPOSIT IN THE MAIL OR DELIVER FOR TRANSMISSION BY**
20 **ANY OTHER USUAL MEANS OF COMMUNICATION WITH POSTAGE OR COST OF**
21 **TRANSMISSION PROVIDED FOR AND PROPERLY ADDRESSED AND, IN THE CASE**
22 **OF AN INSTRUMENT, TO AN ADDRESS SPECIFIED ON THE INSTRUMENT OR**
23 **OTHERWISE AGREED, OR IF THERE IS NOT AN ADDRESS SPECIFIED OR**
24 **AGREED, TO ANY ADDRESS REASONABLE UNDER THE CIRCUMSTANCES.**

25 (B) **IN ANY OTHER WAY TO CAUSE TO BE RECEIVED ANY RECORD OR**
26 **NOTICE WITHIN THE TIME IT WOULD HAVE ARRIVED IF PROPERLY SENT.**

27 (39) "Signed" includes any symbol executed or adopted by a

1 party with present intention to authenticate a writing, including
2 a carbon copy of his or her signature.

3 (40) "Surety" includes guarantor.

4 (41) "Telegram" includes a message transmitted by radio,
5 teletype, cable, any mechanical method of transmission, or the
6 like.

7 (42) "Term" means that portion of an agreement which relates
8 to a particular matter.

9 (43) "Unauthorized" signature means one made without actual,
10 implied or apparent authority and includes a forgery.

11 (44) "Value". Except as otherwise provided with respect to
12 negotiable instruments and bank collections **UNDER** ~~←~~sections
13 3303, 4208, and 4209, ~~→~~a person gives "value" for rights if the
14 person acquires them:

15 (a) In return for a binding commitment to extend credit or
16 for the extension of immediately available credit whether or not
17 drawn upon and whether or not a charge-back is provided for in
18 the event of difficulties in collection; or

19 (b) As security for or in total or partial satisfaction of a
20 preexisting claim; or

21 (c) By accepting delivery pursuant to a preexisting contract
22 for purchase; or

23 (d) Generally, in return for any consideration sufficient to
24 support a simple contract.

25 (45) "Warehouse receipt" means a ~~receipt~~ **DOCUMENT OF TITLE**
26 issued by a person engaged in the business of storing goods for
27 hire.

1 (46) "Written" or "writing" includes printing, typewriting,
2 or any other intentional reduction to tangible form.

3 Sec. 2103. (1) ~~In~~**AS USED IN** this article unless the context
4 otherwise requires:

5 (a) "Buyer" means a person who buys or contracts to buy
6 goods.

7 (b) "Good faith" in the case of a merchant means honesty in
8 fact and the observance of reasonable commercial standards of
9 fair dealing in the trade.

10 (c) "Receipt" of goods means taking physical possession of
11 them.

12 (d) "Seller" means a person who sells or contracts to sell
13 goods.

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

| | | |
|----|---------------------------|------------------|
| 17 | "Acceptance". | Section 2606. |
| 18 | "Banker's credit". | Section 2325. |
| 19 | "Between merchants". | Section 2104. |
| 20 | "Cancellation". | Section 2106(4). |
| 21 | "Commercial unit". | Section 2105. |
| 22 | "Confirmed credit". | Section 2325. |
| 23 | "Conforming to contract". | Section 2106. |
| 24 | "Contract for sale". | Section 2106. |
| 25 | "Cover". | Section 2712. |
| 26 | "Entrusting". | Section 2403. |
| 27 | "Financing agency". | Section 2104. |

| | | |
|----|---------------------------------|---------------|
| 1 | "Future goods". | Section 2105. |
| 2 | "Goods". | Section 2105. |
| 3 | "Identification". | Section 2501. |
| 4 | "Installment contract". | Section 2612. |
| 5 | "Letter of credit". | Section 2325. |
| 6 | "Lot". | Section 2105. |
| 7 | "Merchant". | Section 2104. |
| 8 | "Overseas". | Section 2323. |
| 9 | "Person in position of seller". | Section 2707. |
| 10 | "Present sale". | Section 2106. |
| 11 | "Sale". | Section 2106. |
| 12 | "Sale on approval". | Section 2326. |
| 13 | "Sale or return". | Section 2326. |
| 14 | "Termination". | Section 2106. |

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

| | | |
|----|-------------------|---------------|
| 17 | "Check". | Section 3104. |
| 18 | "Consignee". | Section 7102. |
| 19 | "Consignor". | Section 7102. |
| 20 | "Consumer goods". | Section 9102. |
| 21 | "Dishonor". | Section 3502. |
| 22 | "Draft". | Section 3104. |

23 (4) In addition article 1 contains general definitions and
24 principles of construction and interpretation applicable
25 throughout this article.

26 Sec. 2104. (1) "Merchant" means a person ~~who~~ **THAT** deals in
27 goods of the kind or otherwise by ~~his~~ **THE PERSON'S** occupation

1 holds ~~himself~~**ITSELF** out as having knowledge or skill peculiar to
 2 the practices or goods involved in the transaction or to ~~whom~~
 3 ~~such~~**WHICH THAT** knowledge or skill may be attributed by ~~his~~**THE**
 4 **PERSON'S** employment of an agent or broker or other intermediary
 5 who by ~~his~~**THE PERSON'S** occupation holds ~~himself~~**ITSELF** out as
 6 having ~~such~~**THAT** knowledge or skill.

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

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

22 Sec. 2310. Unless otherwise agreed, **ALL OF THE FOLLOWING**
 23 **APPLY:**

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

27 (b) ~~if~~**IF** the seller is authorized to send the goods, ~~he~~**THE**

1 **SELLER** may ship them under reservation, and may tender the
 2 documents of title, but the buyer may inspect the goods after
 3 their arrival before payment is due unless ~~such~~**THAT** inspection
 4 is inconsistent with the terms of the contract **PURSUANT TO** ~~(~~
 5 section 2513. ~~)~~**and**

6 (c) ~~if~~**IF** delivery is authorized and made by way of
 7 documents of title otherwise than by ~~subsection~~**SUBDIVISION** (b),
 8 then payment is due ~~at~~**REGARDLESS OF WHERE THE GOODS ARE TO BE**
 9 **RECEIVED AT 1 OF THE FOLLOWING TIMES, AS APPLICABLE:**

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

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

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

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

25 (2) ~~Where in a case within~~**IN CONNECTION WITH A CONTRACT**
 26 **SUBJECT TO** subsection (1), **IF** a **TANGIBLE** bill of lading ~~has been~~
 27 **IS** issued in a set of parts, unless otherwise agreed if the

1 documents are not to be sent from abroad the buyer may demand
 2 tender of the full set; otherwise only one part of the bill of
 3 lading need ~~need~~ **MUST** be tendered. Even if the agreement expressly
 4 requires a full set, **BOTH OF THE FOLLOWING APPLY:**

5 (a) ~~due~~ **DUE** tender of a single part is acceptable within the
 6 provisions ~~of this article on~~ **CONCERNING** cure of improper
 7 delivery ~~(subsection (1) of section 2508); and~~ **UNDER SECTION**
 8 **2508(1).**

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

13 (3) A shipment by water or by air or a contract
 14 contemplating such shipment is "overseas" insofar as by usage of
 15 trade or agreement it is subject to the commercial, financing, or
 16 shipping practices characteristic of international deep water
 17 commerce.

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

25 (A) ~~(1)~~ Title to goods cannot pass under a contract for sale
 26 ~~prior to~~ **BEFORE** their identification to the contract **UNDER** ~~(~~
 27 section 2501, ~~)~~, and unless otherwise explicitly agreed the buyer

1 acquires by their identification a special property as limited by
 2 this act. Any retention or reservation by the seller of the title
 3 (property) in goods shipped or delivered to the buyer is limited
 4 in effect to a reservation of a security interest. Subject to
 5 these provisions and to the provisions of ~~the article on secured~~
 6 ~~transactions~~ (~~article 9,)~~, title to goods passes from the
 7 seller to the buyer in any manner and on any conditions
 8 explicitly agreed on by the parties.

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

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

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

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

26 (i) ~~(a)~~ **if** **IF** the seller is to deliver a **TANGIBLE** document of
 27 title, title passes at the time when and the place where ~~he~~ **THE**

1 ~~SELLER delivers such documents, or~~ **THE DOCUMENT OF TITLE.**

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

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

7 **(D)** ~~(4)~~ A rejection or other refusal by the buyer to receive
8 or retain the goods, whether or not justified, or a justified
9 revocation of acceptance revests title to the goods in the
10 seller. ~~Such revesting~~ **REVESTING OF TITLE UNDER THIS SUBDIVISION**
11 occurs by operation of law and is not a "sale".

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

18 (a) ~~tender~~ **TENDER** must be at a reasonable hour, and if it is
19 **A TENDER** of goods, ~~they~~ **THE GOODS** must be kept available for the
20 period reasonably necessary to enable the buyer to take
21 possession. ~~+~~ ~~but~~

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

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

27 (3) ~~Where the~~ **IF A** seller is required to deliver at a

1 particular destination, tender requires that ~~he~~**THE SELLER** comply
 2 with subsection (1) and also, ~~in any appropriate case~~**IF**
 3 **APPROPRIATE**, tender documents as described in subsections (4) and
 4 (5). ~~of this section.~~

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

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

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

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

25 (a) ~~he~~**THE SELLER** must tender all ~~such~~**THE** documents in
 26 correct form, except as provided in ~~this article~~**SECTION 2323(2)**
 27 with respect to bills of lading in a set. ~~(subsection (2) of~~

1 ~~section 2323); and~~

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

5 Sec. 2505. (1) ~~Where the~~**BOTH OF THE FOLLOWING APPLY IF A**
6 seller has identified goods to ~~the~~**A** contract by or before
7 shipment:

8 (a) ~~his~~**THE SELLER'S** procurement of a negotiable bill of
9 lading to ~~his~~**THE SELLER'S** own order or otherwise reserves in ~~him~~
10 **THE SELLER** a security interest in the goods. ~~His~~**THE SELLER'S**
11 procurement of the bill to the order of a financing agency or of
12 the buyer indicates in addition only the seller's expectation of
13 transferring that interest to the person named.

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

22 (2) ~~When~~**IF A** shipment by ~~the~~**A** seller with reservation of a
23 security interest is in violation of the contract for sale, it
24 constitutes an improper contract for transportation within ~~the~~
25 ~~preceding~~**section 2504** but ~~impairs neither~~**IT DOES NOT IMPAIR** the
26 rights given to the buyer by shipment and identification of the
27 goods to the contract ~~nor~~**OR IMPAIR** the seller's powers as a

1 holder of a negotiable document **OF TITLE**.

2 Sec. 2506. (1) A financing agency by paying or purchasing
3 for value a draft ~~which~~**THAT** relates to a shipment of goods
4 acquires to the extent of the payment or purchase and in addition
5 to its own rights under the draft and any document of title
6 securing it any rights of the shipper in the goods including the
7 right to stop delivery and the shipper's right to have the draft
8 honored by the buyer.

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

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

16 (a) ~~if it~~**IF THE CONTRACT** does not require ~~him~~**THE SELLER** to
17 deliver ~~them~~**THE GOODS** at a particular destination, the risk of
18 loss passes to the buyer when the goods are duly delivered to the
19 carrier even ~~though~~**IF** the shipment is under reservation **UNDER** ←
20 section 2505. ~~), but~~

21 (b) ~~if it~~**IF THE CONTRACT** does require ~~him~~**THE SELLER** to
22 deliver ~~them~~**THE GOODS** at a particular destination and the goods
23 are ~~there duly~~**TENDERED TO THE BUYER AT THAT DESTINATION** while in
24 the possession of the carrier, the risk of loss passes to the
25 buyer when the goods are ~~there duly so~~**TENDERED AS TO ENABLE** **AT**
26 **THAT DESTINATION IN A MANNER THAT ENABLES** the buyer to take
27 delivery.

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

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

6 (b) ~~on acknowledgment by the~~ **THE** bailee **PROVIDES**
7 **ACKNOWLEDGEMENT** of the buyer's right to possession of the goods.
8 ~~or~~

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

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

18 (4) The provisions of this section are subject to contrary
19 agreement of the parties and to the provisions of ~~this article~~
20 **SECTION 2327** on sale on approval ~~(section 2327)~~ and **SECTION 2510**
21 on effect of breach on risk of loss. ~~(section 2510)~~.

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

27 (a) ~~where the~~ **THE** seller could have cured ~~it~~ **THE DEFECT** if

1 **THE BUYER** stated **THE DEFECT** seasonably. ~~} or~~

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

6 (2) Payment against documents made without reservation of
7 rights precludes recovery of the payment for defects apparent ~~on~~
8 ~~the face of~~**IN** the documents.

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

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

18 (a) ~~receipt~~**RECEIPT** of the goods by the buyer. ~~} or~~

19 (b) ~~acknowledgment~~**ACKNOWLEDGEMENT** to the buyer by ~~any~~**A**
20 bailee of the goods except a carrier that the bailee holds the
21 goods for the buyer. ~~} or~~

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

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

27 (3) ~~(3) (a) To stop delivery the~~**ALL OF THE FOLLOWING MUST BE**

1 **MET TO STOP DELIVERY UNDER THIS SECTION:**

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

4 (b) After ~~such~~-notification **UNDER SUBDIVISION (A)**, the
5 bailee must hold and deliver the goods according to the
6 directions of the seller but the seller is liable to the bailee
7 for any ensuing charges or damages.

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

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

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

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

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

3 (c) "Commercial unit" means ~~such~~ a unit of goods as ~~as~~ **THAT** by
4 commercial usage is a single whole for purposes of lease and
5 division of which materially impairs its character or value on
6 the market or in use. A commercial unit may be a single article,
7 as a machine, or a set of articles, as a suite of furniture or a
8 line of machinery, or a quantity, as a gross or carload, or any
9 other unit treated in use or in the relevant market as a single
10 whole.

11 (d) "Conforming" means goods or performance under a lease
12 contract that are in accordance with the obligations under the
13 lease contract.

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

20 (f) "Fault" means wrongful act, omission, breach, or
21 default.

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

24 (i) The lessor does not select, manufacture, or supply the
25 goods.

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

1 (iii) One of the following occurs:

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

5 (B) The lessee's approval of the contract by which the
6 lessor acquired the goods or the right to possession and use of
7 the goods is a condition to effectiveness of the lease contract.

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

16 (D) If the lease is not a consumer lease, the lessor, before
17 the lessee signs the lease contract, informs the lessee in
18 writing of the following:

19 (I) The identity of the person supplying the goods to the
20 lessor, unless the lessee has selected that person and directed
21 the lessor to acquire the goods or the right to possession and
22 use of the goods from that person.

23 (II) The lessee is entitled under this article to the
24 promises and warranties, including those of any third party,
25 provided to the lessor by the person supplying the goods in
26 connection with or as part of the contract by which the lessor
27 acquired the goods or the right to possession and use of the

1 goods.

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

6 (h) "Goods" means all things that are movable at the time of
7 identification to the lease contract, or are fixtures **UNDER** †
8 section 2A309, †, but the term does not include money, documents,
9 instruments, accounts, chattel paper, general intangibles, or
10 minerals or the like, including oil and gas, before extraction.
11 The term also includes the unborn young of animals.

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

16 (j) "Lease" means a transfer of the right to possession and
17 use of goods for a term in return for consideration, but a sale,
18 including a sale on approval or a sale or return, or retention or
19 creation of a security interest is not a lease. Unless the
20 context clearly indicates otherwise, the term includes a
21 sublease.

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

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

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

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

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

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

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

27 (r) "Lien" means a charge against or interest in goods to

1 secure payment of a debt or performance of an obligation, but the
2 term does not include a security interest.

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

6 (t) "Merchant lessee" means a lessee that is a merchant with
7 respect to goods of the kind subject to the lease.

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

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

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

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

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

27 (z) "Termination" occurs when either party pursuant to a

1 power created by agreement or law puts an end to the lease
2 contract otherwise than for default.

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

| | | |
|----|--------------------------|----------------------|
| 5 | "Accessions". | Section 2A310(1). |
| 6 | "Construction mortgage". | Section 2A309(1)(d). |
| 7 | "Encumbrance". | Section 2A309(1)(e). |
| 8 | "Fixtures". | Section 2A309(1)(a). |
| 9 | "Fixture filing". | Section 2A309(1)(b). |
| 10 | "Purchase money lease". | Section 2A309(1)(c). |

11 (3) The following definitions in other articles apply to
12 this article:

| | | |
|----|---------------------------|-----------------------|
| 13 | "Account". | Section 9102(1)(b). |
| 14 | "Between merchants". | Section 2104(3). |
| 15 | "Buyer". | Section 2103(1)(a). |
| 16 | "Chattel paper". | Section 9102(1)(k). |
| 17 | "Consumer goods". | Section 9102(1)(w). |
| 18 | "Document". | Section 9102(1)(dd). |
| 19 | "Entrusting". | Section 2403(3). |
| 20 | "General intangible". | Section 9102(1)(pp). |
| 21 | "Good faith". | Section 2103(1)(b). |
| 22 | "Instrument". | Section 9102(1)(uu). |
| 23 | "Merchant". | Section 2104(1). |
| 24 | "Mortgage". | Section 9102(1)(ccc). |
| 25 | "Pursuant to commitment". | Section 9102(1)(sss). |
| 26 | "Receipt". | Section 2103(1)(c). |
| 27 | "Sale". | Section 2106(1). |
| 28 | "Sale on approval". | Section 2326. |

1 "Sale or return". Section 2326.

2 "Seller". Section 2103(1)(d).

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

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

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

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

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

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

1 withhold or take possession of the goods.

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

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

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

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

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

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

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

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

21 (a) "Account" means any depositor credit account with a
22 bank, including a demand, time, savings, passbook, share draft,
23 or like account, other than an account evidenced by a certificate
24 of deposit.

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

27 (c) "Banking day" means the part of a day on which a bank is

1 open to the public for carrying on substantially all of its
2 banking functions.

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

5 (e) "Customer" means any person having an account with a
6 bank or for whom a bank has agreed to collect items, including a
7 bank that maintains an account at another bank.

8 (f) "Documentary draft" means a draft to be presented for
9 acceptance or payment if specified documents, certificated
10 securities ~~—(UNDER section 8102)—~~or instructions for
11 uncertificated securities **UNDER** ~~(—section 8102,)—~~or other
12 certificates, statements, or the like are to be received by the
13 drawee or other payor before acceptance or payment of the draft.

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

16 (h) "Drawee" means a person ordered in a draft to make
17 payment.

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

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

26 (k) "Settle" means to pay in cash, by clearing-house
27 settlement, in a charge or credit or by remittance, or otherwise

1 as agreed. A settlement may be either provisional or final.

2 (l) "Suspends payments" with respect to a bank means that it
3 has been closed by order of the supervisory authorities, that a
4 public officer has been appointed to take it over or that it
5 ceases or refuses to make payments in the ordinary course of
6 business.

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

| | | |
|----|---|---------------|
| 9 | "Agreement for electronic presentment". | Section 4110. |
| 10 | "Bank". | Section 4105. |
| 11 | "Collecting bank". | Section 4105. |
| 12 | "Depositary bank". | Section 4105. |
| 13 | "Intermediary bank". | Section 4105. |
| 14 | "Payor bank". | Section 4105. |
| 15 | "Presenting bank". | Section 4105. |
| 16 | "Presentment notice". | Section 4110. |

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

| | | |
|----|---------------------------|---------------|
| 19 | "Acceptance". | Section 3409. |
| 20 | "Alteration". | Section 3409. |
| 21 | "Certificate of deposit". | Section 3104. |
| 22 | "Cashier's check". | Section 3104. |
| 23 | "Certified check". | Section 3409. |
| 24 | "Check". | Section 3104. |
| 25 | "Draft". | Section 3104. |
| 26 | "Good faith". | Section 3103. |
| 27 | "Holder in due course". | Section 3302. |

| | | |
|----|-------------------------------|---------------|
| 1 | "Instrument". | Section 3104. |
| 2 | "Notice of dishonor". | Section 3503. |
| 3 | "Order". | Section 3103. |
| 4 | "Ordinary care". | Section 3103. |
| 5 | "Person entitled to enforce". | Section 3301. |
| 6 | "Presentment". | Section 3501. |
| 7 | "Promise". | Section 3103. |
| 8 | "Prove". | Section 3103. |
| 9 | "Teller's check". | Section 3104. |
| 10 | "Unauthorized signature". | Section 3403. |

11 (4) In addition article 1 contains general definitions and
 12 principles of construction and interpretation applicable
 13 throughout this article.

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

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

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

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

25 (2) If credit given for several items received at one time
 26 or pursuant to a single agreement is withdrawn or applied in part
 27 the security interest remains upon all the items, any
 28 accompanying documents or the proceeds of either. For the purpose

1 of this section, credits first given are first withdrawn.

2 (3) Receipt by a collecting bank of a final settlement for
3 an item is a realization on its security interest in the item,
4 accompanying documents and proceeds. So long as the bank does not
5 receive final settlement for the item or give up possession of
6 the item or **POSSESSION OR CONTROL OF THE** accompanying documents
7 for purposes other than collection, the security interest
8 continues to that extent and is subject to article 9 except for
9 the following:

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

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

14 (c) The security interest has priority over conflicting
15 perfected security interests in the item, accompanying documents,
16 or proceeds.

17 Sec. 7101. This article shall be known and may be cited as
18 "uniform commercial code—documents of title".

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

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

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

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

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

4 (E) ~~(d)~~—"Delivery order" means a ~~written~~**RECORD THAT**
5 **CONTAINS AN** order to deliver goods directed to a warehouseman,
6 carrier, or other person ~~who~~**THAT** in the ordinary course of
7 business issues warehouse receipts or bills of lading.

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

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

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

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

25 ~~(h) "Warehouseman" is a person engaged in the business of~~
26 ~~storing goods for hire.~~

27 (I) **"PERSON ENTITLED UNDER THE DOCUMENT" MEANS THE HOLDER,**

1 IN THE CASE OF A NEGOTIABLE DOCUMENT OF TITLE, OR THE PERSON TO
2 WHICH DELIVERY OF THE GOODS IS TO BE MADE BY THE TERMS OF, OR
3 PURSUANT TO INSTRUCTIONS IN A RECORD UNDER, A NONNEGOTIABLE
4 DOCUMENT OF TITLE.

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

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

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

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

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

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

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

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

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

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

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

25 ~~—— "Overseas". Section 2323.~~

1 ~~"Receipt" of goods. Section 2103.~~

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

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

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

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

8 (3) ~~(4) In addition article~~ ARTICLE 1 contains general
9 definitions and principles of construction and interpretation
10 applicable throughout this article.

11 Sec. 7103. (1) ~~To the extent that any treaty or statute of~~
12 ~~the United States, regulatory statute of this state or tariff,~~
13 ~~classification or regulation filed or issued pursuant thereto is~~
14 ~~applicable, the provisions of this article are subject thereto.~~

15 THIS ARTICLE IS SUBJECT TO ANY TREATY OR STATUTE OF THE UNITED
16 STATES OR REGULATORY STATUTE OF THIS STATE TO THE EXTENT THE
17 TREATY, STATUTE, OR REGULATORY STATUTE IS APPLICABLE.

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

25 (3) THIS ACT MODIFIES, LIMITS, AND SUPERSEDES THE ELECTRONIC
26 SIGNATURES IN THE GLOBAL AND NATIONAL COMMERCE ACT, 15 USC 7001

1 TO 7031, BUT DOES NOT MODIFY, LIMIT, OR SUPERSEDE 15 USC 7001(A)
2 OR AUTHORIZE ELECTRONIC DELIVERY OF ANY OF THE NOTICES DESCRIBED
3 IN 15 USC 7003 (B) .

4 (4) TO THE EXTENT THERE IS A CONFLICT BETWEEN THE UNIFORM
5 ELECTRONIC TRANSACTIONS ACT, 2000 PA 305, MCL 450.831 TO 450.849,
6 AND THIS ARTICLE, THIS ARTICLE GOVERNS.

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

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

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

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

22 (3) A DOCUMENT OF TITLE IS NONNEGOTIABLE IF, AT THE TIME IT
23 IS ISSUED, THE DOCUMENT HAS A CONSPICUOUS LEGEND, HOWEVER
24 EXPRESSED, THAT IT IS NONNEGOTIABLE.

25 Sec. 7105. (1) ~~The omission from either part 2 or part 3 of~~
26 ~~this article of a provision corresponding to a provision made in~~
27 ~~the other part does not imply that a corresponding rule of law is~~

1 ~~not applicable.~~ UPON REQUEST OF A PERSON ENTITLED UNDER AN
2 ELECTRONIC DOCUMENT OF TITLE, THE ISSUER OF THE ELECTRONIC
3 DOCUMENT MAY ISSUE A TANGIBLE DOCUMENT OF TITLE AS A SUBSTITUTE
4 FOR THE ELECTRONIC DOCUMENT IF BOTH OF THE FOLLOWING ARE MET:

5 (A) THE PERSON ENTITLED UNDER THE ELECTRONIC DOCUMENT
6 SURRENDERS CONTROL OF THE DOCUMENT TO THE ISSUER.

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

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

12 (A) THE ELECTRONIC DOCUMENT CEASES TO HAVE ANY EFFECT OR
13 VALIDITY.

14 (B) THE PERSON THAT PROCURED ISSUANCE OF THE TANGIBLE
15 DOCUMENT WARRANTS TO ALL SUBSEQUENT PERSONS ENTITLED UNDER THE
16 TANGIBLE DOCUMENT THAT THE WARRANTOR WAS A PERSON ENTITLED UNDER
17 THE ELECTRONIC DOCUMENT WHEN THE WARRANTOR SURRENDERED CONTROL OF
18 THE ELECTRONIC DOCUMENT TO THE ISSUER.

19 (3) UPON REQUEST OF A PERSON ENTITLED UNDER A TANGIBLE
20 DOCUMENT OF TITLE, THE ISSUER OF THE TANGIBLE DOCUMENT MAY ISSUE
21 AN ELECTRONIC DOCUMENT OF TITLE AS A SUBSTITUTE FOR THE TANGIBLE
22 DOCUMENT IF BOTH OF THE FOLLOWING ARE MET:

23 (A) THE PERSON ENTITLED UNDER THE TANGIBLE DOCUMENT
24 SURRENDERS POSSESSION OF THE DOCUMENT TO THE ISSUER.

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

27 (4) ALL OF THE FOLLOWING APPLY UPON ISSUANCE OF AN

1 ELECTRONIC DOCUMENT OF TITLE IN SUBSTITUTION FOR A TANGIBLE
2 DOCUMENT OF TITLE IN ACCORDANCE WITH SUBSECTION (3):

3 (A) THE TANGIBLE DOCUMENT CEASES TO HAVE ANY EFFECT OR
4 VALIDITY.

5 (B) THE PERSON THAT PROCURED ISSUANCE OF THE ELECTRONIC
6 DOCUMENT WARRANTS TO ALL SUBSEQUENT PERSONS ENTITLED UNDER THE
7 ELECTRONIC DOCUMENT THAT THE WARRANTOR WAS A PERSON ENTITLED
8 UNDER THE TANGIBLE DOCUMENT WHEN THE WARRANTOR SURRENDERED
9 POSSESSION OF THE TANGIBLE DOCUMENT TO THE ISSUER.

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

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

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

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

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

25 (ii) IF THE AUTHORITATIVE COPY INDICATES THAT THE DOCUMENT
26 HAS BEEN TRANSFERRED, THE PERSON TO WHICH THE DOCUMENT WAS MOST
27 RECENTLY TRANSFERRED.

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

4 (D) COPIES OR AMENDMENTS THAT ADD OR CHANGE AN IDENTIFIED
5 ASSIGNEE OF THE AUTHORITATIVE COPY DESCRIBED IN SUBDIVISION (A)
6 CAN BE MADE ONLY WITH THE CONSENT OF THE PERSON ASSERTING
7 CONTROL.

8 (E) EACH COPY OF THE AUTHORITATIVE COPY DESCRIBED IN
9 SUBDIVISION (A) AND ANY COPY OF A COPY IS READILY IDENTIFIABLE AS
10 A COPY THAT IS NOT THE AUTHORITATIVE COPY.

11 (F) ANY AMENDMENT OF THE AUTHORITATIVE COPY DESCRIBED IN
12 SUBDIVISION (A) IS READILY IDENTIFIABLE AS AUTHORIZED OR
13 UNAUTHORIZED.

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

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

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

25 (2) Unless a warehouse receipt ~~embodies within its written~~
26 ~~or printed terms~~ **PROVIDES FOR** each of the following, the
27 ~~warehouseman~~ **WAREHOUSE** is liable for damages caused ~~by the~~

- 1 ~~emission~~ to a person injured ~~thereby~~ **BY ITS OMISSION:**
- 2 (a) **A STATEMENT OF** the location of the warehouse where the
3 goods are stored. †
- 4 (b) ~~the~~ **THE** date of issue of the receipt. †
- 5 (c) ~~the consecutive number~~ **THE UNIQUE IDENTIFICATION CODE** of
6 the receipt. †
- 7 (d) ~~a~~ **A** statement whether the goods received will be
8 delivered to the bearer, to a ~~specified~~ **NAMED** person, or to a
9 ~~specified~~ **NAMED** person or ~~his~~ **ITS** order. †
- 10 (e) ~~the~~ **THE** rate of storage and handling charges, ~~except~~
11 ~~that where~~ **UNLESS** goods are stored under a field warehousing
12 arrangement, **IN WHICH CASE** a statement of that fact is sufficient
13 on a ~~non negotiable~~ **NONNEGOTIABLE** receipt. †
- 14 (f) ~~a~~ **A** description of the goods or ~~of~~ the packages
15 containing them. †
- 16 (g) ~~the~~ **THE** signature of the warehouseman, ~~which may be made~~
17 ~~by his authorized agent,~~ **WAREHOUSE OR ITS AGENT.**
- 18 (h) ~~if~~ **IF** the receipt is issued for goods ~~of which~~ **THAT** the
19 ~~warehouseman is owner~~ **WAREHOUSE OWNERS**, either solely, ~~or~~
20 jointly, or in common with others, ~~the fact of such~~ **A STATEMENT**
21 **OF THE FACT OF THAT** ownership. † ~~and~~
- 22 (i) ~~a~~ **A** statement of the amount of advances made and of
23 liabilities incurred for which the ~~warehouseman~~ **WAREHOUSE** claims
24 a lien or security interest, ~~(section 7209).~~ ~~If~~ **UNLESS** the
25 precise amount of ~~such~~ advances made or ~~of such~~ liabilities
26 incurred, ~~is,~~ at the time of the issue of the receipt, **IS** unknown
27 to the ~~warehouseman~~ **WAREHOUSE** or to ~~his~~ **ITS** agent ~~who issues it~~

1 **THAT ISSUED THE RECEIPT, IN WHICH CASE** a statement of the fact
 2 that advances have been made or liabilities incurred and the
 3 purpose thereof ~~OF THE ADVANCES OR LIABILITIES~~ is sufficient.

4 (3) A ~~warehouseman~~ **WAREHOUSE** may insert in ~~his~~ **ITS** receipt
 5 any ~~other~~ terms ~~which~~ **THAT** are not contrary to the provisions of
 6 this act and do not impair ~~his~~ **ITS** obligation of delivery **UNDER** (
 7 section 7403) ~~or his~~ **ITS** duty of care **UNDER** (~~section 7204.)~~.
 8 Any contrary provisions ~~shall be~~ **IS** ineffective.

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

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

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

25 Sec. 7204. (1) A ~~warehouseman~~ **WAREHOUSE** is liable for
 26 damages for loss of or injury to the goods caused by ~~his~~ **ITS**
 27 failure to exercise ~~such care in~~ **WITH** regard to ~~them as~~ **THE GOODS**

1 ~~THAT~~ a reasonably careful ~~man~~ **PERSON** would exercise under like
2 **SIMILAR** circumstances. ~~but unless~~ **UNLESS** otherwise agreed, ~~he~~ **THE**
3 **WAREHOUSE** is not liable for damages ~~which~~ **THAT** could not have
4 been avoided by the exercise of ~~such~~ **THAT** care.

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

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

1 Sec. 7205. A buyer in the ordinary course of business of
2 fungible goods sold and delivered by a ~~warehouseman who~~ **WAREHOUSE**
3 **THAT** is also in the business of buying and selling ~~such~~ **THOSE**
4 goods takes **THE GOODS** free of any claim under a warehouse receipt
5 even ~~though it~~ **IF THE RECEIPT IS NEGOTIABLE AND** has been duly
6 negotiated.

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

19 (2) If a ~~warehouseman~~ **WAREHOUSE** in good faith believes that
20 ~~the~~ goods are about to deteriorate or decline in value to less
21 than the amount of ~~his~~ **ITS** lien within the time ~~prescribed~~
22 **PROVIDED** in subsection (1) ~~for notification, advertisement and~~
23 ~~sale~~ **AND SECTION 7210**, the ~~warehouseman~~ **WAREHOUSE** may specify in
24 the ~~notification~~ **NOTICE GIVEN UNDER SUBSECTION (1)** any reasonable
25 shorter time for removal of the goods and, ~~in case~~ **IF** the goods
26 are not removed, may sell them at public sale held not less than
27 1 week after a single advertisement or posting.

1 (3) If, as a result of a quality or condition of the goods
 2 of which the ~~warehouseman had no~~ **WAREHOUSE DID NOT HAVE** notice at
 3 the time of deposit, the goods are a hazard to other property, ~~or~~
 4 ~~to the warehouse or to~~ **THE WAREHOUSE FACILITIES, OR OTHER**
 5 persons, the ~~warehouseman~~ **WAREHOUSE** may sell the goods at public
 6 or private sale without advertisement **OR POSTING** on reasonable
 7 notification to all persons known to claim an interest in the
 8 goods. If the ~~warehouseman~~ **WAREHOUSE**, after a reasonable effort,
 9 is unable to sell the goods, ~~he~~ **IT** may dispose of them in any
 10 lawful manner and ~~shall incur no~~ **DOES NOT INCUR** liability by
 11 reason of ~~such~~ **THAT** disposition.

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

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

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

26 (2) ~~Fungible~~ **IF DIFFERENT LOTS OF FUNGIBLE** goods ~~so~~ **ARE**
 27 commingled, **THE GOODS** are owned in common by the persons entitled

1 thereto and the ~~warehouseman~~**WAREHOUSE** is severally liable to
 2 each owner for that owner's share. ~~Where~~**IF**, because of
 3 overissue, a mass of fungible goods is insufficient to meet all
 4 the receipts ~~which~~ the ~~warehouseman~~**WAREHOUSE** has issued against
 5 it, the persons entitled include all holders to ~~whom~~**WHICH**
 6 overissued receipts have been duly negotiated.

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

14 Sec. 7209. (1) A ~~warehouseman~~**WAREHOUSE** has a lien against
 15 the bailor on the goods covered by a warehouse receipt or **STORAGE**
 16 **AGREEMENT OR** on the proceeds ~~thereof~~**OF THOSE GOODS** in ~~his~~**ITS**
 17 possession for charges for storage or transportation, ~~(including~~
 18 demurrage and terminal charges, ~~)~~, insurance, labor, or **OTHER**
 19 charges, present or future, in relation to the goods, and for
 20 expenses necessary for preservation of the goods or reasonably
 21 incurred in their sale pursuant to law. If the person on whose
 22 account the goods are held is liable for ~~like~~**SIMILAR** charges or
 23 expenses in relation to other goods whenever deposited and it is
 24 stated in the ~~receipt~~**WAREHOUSE RECEIPT OR STORAGE AGREEMENT** that
 25 a lien is claimed for charges and expenses in relation to other
 26 goods, the ~~warehouseman~~**WAREHOUSE** also has a lien against ~~him~~**THE**
 27 **GOODS COVERED BY THE WAREHOUSE RECEIPT OR STORAGE AGREEMENT OR ON**

1 **THE PROCEEDS OF THOSE GOODS IN ITS POSSESSION** for ~~such~~ **THOSE**
2 charges and expenses, whether or not the other goods have been
3 delivered by the ~~warehouseman. But~~ **WAREHOUSE. HOWEVER, AS** against
4 a person to ~~whom~~ **WHICH** a negotiable warehouse receipt is duly
5 negotiated, a ~~warehouseman's~~ **WAREHOUSE'S** lien is limited to
6 charges in an amount or at a rate specified ~~on~~ **IN** the **WAREHOUSE**
7 receipt or, if no charges are so specified, ~~then~~ to a reasonable
8 charge for storage of the **SPECIFIC** goods covered by the receipt
9 subsequent to the date of the receipt.

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

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

27 (A) **DELIVER OR ENTRUST THE GOODS OR ANY DOCUMENT OF TITLE**

1 COVERING THE GOODS TO THE BAILOR OR THE BAILOR'S NOMINEE WITH ANY
2 OF THE FOLLOWING:

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

4 (ii) POWER TO OBTAIN DELIVERY UNDER SECTION 7403.

5 (iii) POWER OF DISPOSITION UNDER SECTION 2403, 2A304(2),
6 2A305(2), 9320, OR 9321 OR OTHER STATUTE OR RULE OF LAW.

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

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

15 (5) ~~(4)~~—A warehouseman—**WAREHOUSE** loses his—**ITS** lien on any
16 goods which he—**THAT IT** voluntarily delivers or which he
17 unjustifiably refuses to deliver.

18 Sec. 7210. (1) Except as **OTHERWISE** provided in subsection
19 (2), a warehouseman's—**WAREHOUSE'S** lien may be enforced by public
20 or private sale of the goods, in ~~blee~~—**BULK** or in ~~parcels~~
21 **PACKAGES**, at any time or place and on any terms which—**THAT** are
22 commercially reasonable, after notifying all persons known to
23 claim an interest in the goods. ~~Such~~—**THE** notification must
24 include a statement of the amount due, the nature of the proposed
25 sale, and the time and place of any public sale. The fact that a
26 better price could have been obtained by a sale at a different
27 time or in a ~~different~~—method **DIFFERENT** from that selected by the

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

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

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

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

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

1 place.

2 (C) ~~(d)~~—The sale must conform to the terms of the
3 notification.

4 (D) ~~(e)~~—The sale must be held at the nearest suitable place
5 to ~~that~~ where the goods are held or stored.

6 (E) ~~(f)~~—After the expiration of the time given in the
7 notification, an advertisement of the sale must be published once
8 a week for 2 weeks consecutively in a newspaper of general
9 circulation where the sale is to be held. The advertisement must
10 include a description of the goods, the name of the person on
11 whose account ~~they~~ **THE GOODS** are being held, and the time and
12 place of the sale. The sale must take place at least 15 days
13 after the first publication. If there is no newspaper of general
14 circulation where the sale is to be held, the advertisement must
15 be posted at least 10 days before the sale in not ~~less~~ **FEWER** than
16 6 conspicuous places in the neighborhood of the proposed sale.

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

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

25 (5) A purchaser in good faith of goods sold to enforce a
26 ~~warehouseman's~~ **WAREHOUSE'S** lien takes the goods free of any
27 rights of persons against ~~whom~~ **WHICH** the lien was valid, despite

1 ~~THE WAREHOUSE'S~~ noncompliance by ~~the warehouseman~~ with the
2 ~~requirements of~~ this section.

3 (6) ~~The warehouseman~~ **A WAREHOUSE** may satisfy his ~~ITS~~ lien
4 from the proceeds of any sale pursuant to this section but ~~must~~
5 **SHALL** hold the balance, if any, for delivery on demand to any
6 person to ~~whom he~~ **WHICH THE WAREHOUSE** would have been bound to
7 deliver the goods.

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

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

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

18 Sec. 7301. (1) A consignee of a ~~non negotiable~~ **NONNEGOTIABLE**
19 bill ~~who~~ **OF LADING WHICH** has given value in good faith, or a
20 holder to ~~whom~~ **WHICH** a negotiable bill has been duly negotiated,
21 relying ~~in either case~~ upon the description ~~therein~~ of the goods
22 ~~—~~ **IN THE BILL** or upon the date ~~therein~~ shown **IN THE BILL**, may
23 recover from the issuer damages caused by the misdating of the
24 bill or the nonreceipt or misdescription of the goods, except to
25 the extent that the ~~document~~ **BILL** indicates that the issuer does
26 not know whether any part or all of the goods in fact were
27 received or conform to the description, **SUCH** as ~~where~~ **IN A CASE**

1 **IN WHICH** the description is in terms of marks or labels or kind,
 2 quantity, or condition or the receipt or description is qualified
 3 by "contents or condition of contents of packages unknown", "said
 4 to contain", "shipper's weight, load, and count", or ~~the like~~
 5 **WORDS OF SIMILAR IMPORT**, if ~~such THAT~~ indication ~~be~~ **IS** true.

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

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

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

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

23 (4) The issuer ~~may by inserting~~ **OF A BILL OF LADING, BY**
 24 **INCLUDING** in the bill the words "shipper's weight, load, and
 25 count", or ~~other~~ words of ~~like purport~~ **SIMILAR IMPORT, MAY**
 26 indicate that the goods were loaded by the shipper, ~~+~~ and, if
 27 ~~such~~ **THAT** statement ~~be~~ **IS** true, the issuer ~~shall~~ **IS** not ~~be~~ liable

1 for damages caused by the improper loading. ~~But their~~ **HOWEVER,**
 2 omission **OF THOSE WORDS** does not imply liability for ~~such~~ damages
 3 **CAUSED BY IMPROPER LOADING.**

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

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

26 (2) ~~Where~~ **IF** goods covered by a through bill of lading or
 27 other document **OF TITLE** embodying an undertaking to be performed

1 in part by ~~persons~~ **A PERSON** other than the issuer are received by
 2 ~~any such~~ **THAT** person, ~~he~~ **THE PERSON** is subject, with respect to
 3 ~~his~~ **ITS** own performance while the goods are in ~~his~~ **ITS**
 4 possession, to the obligation of the issuer. ~~His~~ **THE PERSON'S**
 5 obligation is discharged by delivery of the goods to another ~~such~~
 6 person pursuant to the **BILL OR OTHER** document, ~~and~~ does not
 7 include liability for breach by any other ~~such persons~~ **PERSON** or
 8 by the issuer.

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

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

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

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

- 1 (a) ~~the~~ **THE** holder of a negotiable bill. ~~or~~
- 2 (b) ~~the~~ **THE** consignor on a ~~non-negotiable~~ **NONNEGOTIABLE**
- 3 bill, ~~notwithstanding~~ **EVEN IF THE CONSIGNEE HAS GIVEN** contrary
- 4 instructions. ~~from the consignee; or~~
- 5 (c) ~~the~~ **THE** consignee on a ~~non-negotiable~~ **NONNEGOTIABLE** bill
- 6 in the absence of contrary instructions from the consignor, if
- 7 the goods have arrived at the billed destination or if the
- 8 consignee is in possession of the **TANGIBLE** bill ~~or~~ **IN CONTROL**
- 9 **OF THE ELECTRONIC BILL.**
- 10 (d) ~~the~~ **THE** consignee on a ~~non-negotiable~~ **NONNEGOTIABLE**
- 11 bill, if ~~he~~ **THE CONSIGNEE** is entitled as against the consignor to
- 12 dispose of ~~them~~ **THE GOODS.**
- 13 (2) Unless ~~such~~ instructions **DESCRIBED IN SUBSECTION (1)** are
- 14 ~~noted on~~ **INCLUDED IN** a negotiable bill of lading, a person to
- 15 ~~whom~~ **WHICH** the bill is duly negotiated ~~can~~ **MAY** hold the bailee
- 16 according to the original terms.
- 17 Sec. 7304. (1) Except ~~where~~ **AS** customary in ~~overseas~~
- 18 **INTERNATIONAL** transportation, a **TANGIBLE** bill of lading ~~must~~ **MAY**
- 19 not be issued in a set of parts. The issuer is liable for damages
- 20 caused by violation of this subsection.
- 21 (2) ~~Where~~ **IF** a **TANGIBLE** bill of lading is lawfully ~~drawn~~
- 22 **ISSUED** in a set of parts, each of which is ~~numbered and~~ **CONTAINS**
- 23 **AN IDENTIFICATION CODE AND IS** expressed to be valid only if the
- 24 goods have not been delivered against any other part, the whole
- 25 of the parts constitutes 1 bill.
- 26 (3) ~~Where~~ **IF** a **TANGIBLE NEGOTIABLE** bill of lading is
- 27 lawfully issued in a set of parts and different parts are

1 negotiated to different persons, the title of the holder to ~~whom~~
 2 **WHICH** the first due negotiation is made prevails as to both the
 3 document **OF TITLE** and the goods even ~~though~~**IF** any later holder
 4 may have received the goods from the carrier in good faith and
 5 discharged the carrier's obligation by ~~surrender of his~~
 6 **SURRENDERING ITS** part.

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

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

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

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

25 Sec. 7307. (1) A carrier has a lien on the goods covered by
 26 a bill of lading **OR ON THE PROCEEDS OF THOSE GOODS IN ITS**
 27 **POSSESSION** for charges ~~subsequent to~~**AFTER** the date of ~~its~~**THE**

1 **CARRIER'S** receipt of the goods for storage or transportation, ~~+~~
2 including demurrage and terminal charges, ~~)+~~and for expenses
3 necessary for preservation of the goods incident to their
4 transportation or reasonably incurred in their sale pursuant to
5 law. ~~But~~**HOWEVER**, against a purchaser for value of a negotiable
6 bill of lading, a carrier's lien is limited to charges stated in
7 the bill or the applicable tariffs ~~—~~or, if no charges are
8 stated, ~~then to~~a reasonable charge.

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

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

21 Sec. 7308. (1) A carrier's lien **ON GOODS** may be enforced by
22 public or private sale of the goods, in ~~blo~~**BULK** or in ~~parcels~~
23 **PACKAGES**, at any time or place and on any terms ~~which~~**THAT** are
24 commercially reasonable, after notifying all persons known to
25 claim an interest in the goods. ~~Such~~**THE** notification must
26 include a statement of the amount due, the nature of the proposed
27 sale, and the time and place of any public sale. The fact that a

1 better price could have been obtained by a sale at a different
 2 time or in a **METHOD** different ~~method~~ from that selected by the
 3 carrier is not of itself sufficient to establish that the sale
 4 was not made in a commercially reasonable manner. ~~if~~ **THE CARRIER**
 5 **SELLS GOODS IN A COMMERCIALY REASONABLE MANNER IF** the carrier
 6 ~~either~~ sells the goods in the usual manner in any recognized
 7 market ~~therefor or if he~~ **FOR THAT TYPE OF GOODS**, sells at the
 8 price current in ~~such~~ **THAT** market at the time of ~~his~~ **THE** sale, or
 9 ~~if he has otherwise sold~~ **SELLS** in conformity with commercially
 10 reasonable practices among dealers in the type of goods sold. ~~he~~
 11 ~~has sold in a commercially reasonable manner.~~ A sale of more
 12 goods than apparently necessary to be offered to ensure
 13 satisfaction of the obligation is not commercially reasonable
 14 except in cases covered by the preceding sentence.

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

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

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

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

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

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

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

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

22 (2) Damages may be limited by a ~~provision~~**TERM IN THE BILL**
23 **OF LADING OR IN A TRANSPORTATION AGREEMENT** that the carrier's
24 liability ~~shall~~**MAY** not exceed a value stated in the ~~document~~
25 **BILL OR TRANSPORTATION AGREEMENT** if the carrier's rates are
26 dependent upon value and the consignor ~~by the carrier's tariff is~~
27 afforded an opportunity to declare a higher value ~~or a value as~~

1 ~~lawfully provided in the tariff, or where no tariff is filed he~~
 2 ~~is otherwise~~ **AND THE CONSIGNOR IS** advised of such ~~THE~~
 3 opportunity. ~~; but no~~ **HOWEVER**, such **A** limitation is **NOT** effective
 4 with respect to the carrier's liability for conversion to its own
 5 use.

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

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

13 (a) ~~the~~ **THE** document ~~may~~ **DOES** not comply with the
 14 requirements of this article or of any other ~~law~~ **STATUTE, RULE,**
 15 or regulation regarding its ~~issue~~ **ISSUANCE**, form, or content. ~~;~~
 16 ~~or~~

17 (b) ~~the~~ **THE** issuer ~~may have~~ violated laws regulating the
 18 conduct of ~~his~~ **ITS** business. ~~;~~ ~~or~~

19 (c) ~~the~~ **THE** goods covered by the document were owned by the
 20 bailee ~~at the time~~ **WHEN** the document was issued. ~~;~~ ~~or~~

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

24 Sec. 7402. ~~Neither a~~ **A** duplicate ~~nor~~ **OR** any other document
 25 of title purporting to cover goods already represented by an
 26 outstanding document of the same issuer ~~confers~~ **DOES NOT CONFER**
 27 any right in the goods, except as provided in the case of

1 **TANGIBLE bills OF LADING** in a set **OF PARTS**, overissue of
 2 documents for fungible goods, ~~and~~ substitutes for lost, stolen,
 3 or destroyed documents, **OR SUBSTITUTE DOCUMENTS ISSUED PURSUANT**
 4 **TO SECTION 7105**. ~~But the~~ **THE** issuer is liable for damages caused
 5 by ~~his~~ **ITS** overissue or failure to identify a duplicate document
 6 ~~as such~~ by **A** conspicuous notation. ~~on its face.~~

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

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

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

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

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

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

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

27 (g) Any other lawful excuse.

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

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

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

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

18 ~~—— (4) "Person entitled under the document" means holder in the~~
 19 ~~ease of a negotiable document, or the person to whom delivery is~~
 20 ~~to be made by the terms of or pursuant to written instructions~~
 21 ~~under a non negotiable document.~~

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

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

4 (B) **THE PERSON TO WHICH THE BAILEE** delivered the goods ~~had~~
5 ~~no~~ **DID NOT HAVE** authority to receive ~~them~~ **THE GOODS**.

6 Sec. 7501. (1) ~~A~~ **ALL OF THE FOLLOWING RULES APPLY TO A**
7 negotiable **TANGIBLE** document of title: ~~running~~

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

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

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

17 (C) ~~(b) When a document running~~ **IF THE DOCUMENT'S ORIGINAL**
18 **TERMS RUN** to the order of a named person **AND IT** is delivered to
19 ~~him~~ **THE NAMED PERSON**, the effect is the same as if the document
20 had been negotiated.

21 (D) ~~(3) Negotiation of a negotiable~~ **THE** document of title
22 after it has been indorsed to a ~~specified~~ **NAMED** person requires
23 indorsement by the ~~special indorsee as well as~~ **NAMED PERSON AND**
24 delivery.

25 (E) ~~(4) A negotiable document of title is "duly negotiated~~
26 ~~" when~~ **IF** it is negotiated in the manner stated in this ~~section~~
27 **SUBSECTION** to a holder ~~who~~ **THAT** purchases it in good faith,

1 without notice of any defense against or claim to it on the part
2 of any person, and for value, unless it is established that the
3 negotiation is not in the regular course of business or financing
4 or involves receiving the document in settlement or payment of a
5 ~~money~~ **MONETARY** obligation.

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

8 (A) **IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A**
9 **NAMED PERSON OR TO BEARER, THE DOCUMENT IS NEGOTIATED BY DELIVERY**
10 **OF THE DOCUMENT TO ANOTHER PERSON. INDORSEMENT BY THE NAMED**
11 **PERSON IS NOT REQUIRED TO NEGOTIATE THE DOCUMENT.**

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

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

22 (3) ~~(5)~~ **Indorsement of a ~~non-negotiable~~ **NONNEGOTIABLE****
23 **document neither makes it negotiable nor adds to the transferee's**
24 **rights.**

25 (4) ~~(6)~~ **The naming in a negotiable bill of a person to be**
26 **notified of the arrival of the goods does not limit the**
27 **negotiability of the bill ~~nor~~ **OR** constitute notice to a purchaser**

1 ~~thereof~~ **OF THE BILL** of any interest of ~~such~~ **THAT** person in the
2 goods.

3 Sec. 7502. (1) Subject to ~~the following section and to the~~
4 ~~provisions of section 7205 on fungible goods~~ **SECTIONS 7205 AND**
5 **7503**, a holder to ~~whom~~ **WHICH** a negotiable document of title ~~has~~
6 ~~been~~ **IS** duly negotiated acquires ~~thereby~~ **ALL OF THE FOLLOWING:**

7 (a) Title to the document. †

8 (b) Title to the goods. †

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

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

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

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

27 **(B) ANY** person has been deprived of possession of ~~the~~ **A**

1 **NEGOTIABLE TANGIBLE** document **OR CONTROL OF A NEGOTIABLE**
 2 **ELECTRONIC DOCUMENT** by misrepresentation, fraud, accident,
 3 mistake, duress, loss, theft, or conversion. ~~, or even though a~~

4 (C) A previous sale or other transfer of the goods or
 5 document has been made to a third person.

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

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

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

15 (ii) **POWER** to obtain delivery under ~~this article~~ (~~section~~
 16 7403.) ~~or with power~~

17 (iii) **POWER** of disposition under ~~this act~~ (~~sections 2403 and~~
 18 ~~9320~~) **SECTION 2403, 2A304(2), 2A305(2), 9320, OR 9321(3)** or other
 19 statute or rule of law.

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

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

1 (3) Title to goods based upon a bill of lading issued to a
 2 freight forwarder is subject to the rights of ~~anyone to whom~~ **ANY**
 3 **PERSON TO WHICH** a bill issued by the freight forwarder is duly
 4 negotiated. ~~but~~ **HOWEVER**, delivery by the carrier in accordance
 5 with part 4 of this article pursuant to its own bill of lading
 6 discharges the carrier's obligation to deliver.

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

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

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

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

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

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

26 (3) A diversion or other change of shipping instructions by
 27 the consignor in a ~~non-negotiable~~ **NONNEGOTIABLE** bill of lading

1 which causes the bailee not to deliver **THE GOODS** to the consignee
2 defeats the consignee's title to the goods if ~~they~~**THE GOODS** have
3 been delivered to a buyer in ordinary course of business **OR A**
4 **LEASEE IN ORDINARY COURSE OF BUSINESS** and, in any event, defeats
5 the consignee's rights against the bailee.

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

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

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

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

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

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

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

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

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

20 Sec. 7601. (1) If a document ~~has been~~ **OF TITLE IS** lost,
21 stolen, or destroyed, a court may order delivery of the goods or
22 issuance of a substitute document and the bailee may without
23 liability to any person comply with ~~such~~ **THE** order. If the
24 document was negotiable, ~~the claimant must post security approved~~
25 ~~by the court to indemnify any person who may suffer loss as a~~
26 ~~result of nonsurrender of the document~~ **A COURT MAY NOT ORDER**
27 **DELIVERY OF THE GOODS OR ISSUANCE OF A SUBSTITUTE DOCUMENT**

1 WITHOUT THE CLAIMANT'S POSTING SECURITY UNLESS IT FINDS THAT ANY
 2 PERSON THAT MAY SUFFER LOSS AS A RESULT OF NONSURRENDER OF
 3 POSSESSION OR CONTROL OF THE DOCUMENT IS ADEQUATELY PROTECTED
 4 AGAINST THE LOSS. If the document was ~~not negotiable, such~~
 5 ~~security may be required at the discretion of the court~~
 6 **NONNEGOTIABLE, THE COURT MAY REQUIRE SECURITY.** The court may also
 7 ~~in its discretion order~~ payment of the bailee's reasonable costs
 8 and ~~counsel fees~~ **ATTORNEY FEES IN ANY ACTION UNDER THIS**
 9 **SUBSECTION.**

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

21 Sec. 7602. ~~Except where the document~~ **UNLESS A DOCUMENT OF**
 22 **TITLE** was originally issued upon delivery of the goods by a
 23 person ~~who had no~~ **THAT DID NOT HAVE** power to dispose of them, ~~ne~~
 24 ~~lien attaches~~ **A LIEN DOES NOT ATTACH** by virtue of any judicial
 25 process to goods in the possession of a bailee for which a
 26 negotiable document of title is outstanding ~~the document~~
 27 ~~be~~ **POSSESSION OR CONTROL OF THE DOCUMENT IS** first surrendered to

1 the bailee or ~~its~~ **THE DOCUMENT'S** negotiation **IS** enjoined. ~~and~~
 2 ~~the bailee shall~~ **THE BAILEE MAY** not be compelled to deliver the
 3 goods pursuant to process until **POSSESSION OR CONTROL OF** the
 4 document is surrendered to ~~him or impounded by~~ **THE BAILEE OR TO**
 5 the court. ~~One who purchases~~ **A PURCHASER OF** the document for
 6 value without notice of the process or injunction takes free of
 7 the lien imposed by judicial process.

8 Sec. 7603. If more than ~~one~~ **1** person claims title **TO** or
 9 possession of the goods, the bailee is excused from delivery
 10 until ~~he~~ **THE BAILEE** has had a reasonable time to ascertain the
 11 validity of the adverse claims or to ~~bring an action to compel~~
 12 ~~all claimants to interplead and may compel such interpleader,~~
 13 **COMMENCE AN ACTION FOR INTERPLEADER. THE BAILEE MAY ASSERT AN**
 14 **INTERPLEADER** either in defending an action for nondelivery of the
 15 goods ~~, or by original action. , whichever is appropriate.~~

16 PART 7

17 MISCELLANEOUS PROVISIONS

18 SEC. 7701. (1) **THE AMENDATORY ACT THAT ADDED THIS SECTION**
 19 **APPLIES TO A DOCUMENT OF TITLE THAT IS ISSUED OR A BAILMENT THAT**
 20 **ARISES ON OR AFTER THE EFFECTIVE DATE OF THAT AMENDATORY ACT.**

21 (2) **THE AMENDATORY ACT THAT ADDED THIS SECTION DOES NOT**
 22 **APPLY TO A DOCUMENT OF TITLE THAT IS ISSUED OR A BAILMENT THAT**
 23 **ARISES BEFORE THE EFFECTIVE DATE OF THAT AMENDATORY ACT EVEN IF**
 24 **THE DOCUMENT OF TITLE OR BAILMENT WOULD BE SUBJECT TO THAT**
 25 **AMENDATORY ACT IF THE DOCUMENT OF TITLE HAD BEEN ISSUED OR**
 26 **BAILMENT HAD ARISEN ON OR AFTER THE EFFECTIVE DATE OF THAT**
 27 **AMENDATORY ACT.**

1 (3) THE AMENDATORY ACT THAT ADDED THIS SECTION DOES NOT
2 APPLY TO A RIGHT OF ACTION THAT HAS ACCRUED BEFORE THE EFFECTIVE
3 DATE OF THAT AMENDATORY ACT.

4 SEC. 7702. A DOCUMENT OF TITLE ISSUED OR A BAILMENT THAT
5 ARISES BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED
6 THIS SECTION AND THE RIGHTS, OBLIGATIONS, AND INTERESTS FLOWING
7 FROM THAT DOCUMENT OR BAILMENT ARE GOVERNED BY ANY STATUTE
8 AMENDED OR REPEALED BY THAT AMENDATORY ACT AS IF AMENDMENT OR
9 REPEAL HAD NOT OCCURRED AND MAY BE TERMINATED, COMPLETED,
10 CONSUMMATED, OR ENFORCED UNDER THAT STATUTE.

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

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

23 (3) An interest in a partnership or limited liability
24 company is not a security unless it is dealt in or traded on
25 securities exchanges or in securities markets, its terms
26 expressly provide that it is a security governed by this article,
27 or it is an investment company security. However, an interest in

1 a partnership or limited liability company is a financial asset
2 if it is held in a securities account.

3 (4) A writing that is a security certificate is governed by
4 this article and not by article 3, even though it also meets the
5 requirements of that article. However, a negotiable instrument
6 governed by article 3 is a financial asset if it is held in a
7 securities account.

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

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

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

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

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

19 (b) "Account", except as used in "account for", means a
20 right to payment of a monetary obligation, whether or not earned
21 by performance, for property that has been or is to be sold,
22 leased, licensed, assigned, or otherwise disposed of, for
23 services rendered or to be rendered, for a policy of insurance
24 issued or to be issued, for a secondary obligation incurred or to
25 be incurred, for energy provided or to be provided, for the use
26 or hire of a vessel under a charter or other contract, arising
27 out of the use of a credit or charge card or information

1 contained on or for use with the card, or as winnings in a
2 lottery or other game of chance operated or sponsored by a state,
3 governmental unit of a state, or person licensed or authorized to
4 operate the game by a state or governmental unit of a state. The
5 term includes health-care-insurance receivables. The term does
6 not include rights to payment evidenced by chattel paper or an
7 instrument, commercial tort claims, deposit accounts, investment
8 property, letter-of-credit rights or letters of credit, or rights
9 to payment for money or funds advanced or sold, other than rights
10 arising out of the use of a credit or charge card or information
11 contained on or for use with the card.

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

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

18 (i) Authenticated by a secured party.

19 (ii) Indicating the aggregate unpaid secured obligations as
20 of a date not more than 35 days earlier or 35 days later than the
21 date of the record.

22 (iii) Identifying the components of the obligations in
23 reasonable detail.

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

27 (i) The interest secures payment or performance of an

- 1 obligation for 1 or more of the following:
- 2 (A) Goods or services furnished in connection with a
3 debtor's farming operation.
- 4 (B) Rent on real property leased by a debtor in connection
5 with its farming operation.
- 6 (ii) The interest is created by statute in favor of a person
7 that did 1 or more of the following:
- 8 (A) In the ordinary course of its business furnished goods
9 or services to a debtor in connection with a debtor's farming
10 operation.
- 11 (B) Leased real property to a debtor in connection with the
12 debtor's farming operation.
- 13 (iii) The effectiveness of the interest does not depend on the
14 person's possession of the personal property.
- 15 (f) "As-extracted collateral" means 1 or more of the
16 following:
- 17 (i) Oil, gas, or other minerals that are subject to a
18 security interest that is created by a debtor having an interest
19 in the minerals before extraction and attaches to the minerals as
20 extracted.
- 21 (ii) Accounts arising out of the sale at the wellhead or
22 minehead of oil, gas, or other minerals in which the debtor had
23 an interest before extraction.
- 24 (g) "Authenticate" means 1 of the following:
- 25 (i) To sign.
- 26 (ii) To execute or otherwise adopt a symbol, or encrypt or
27 similarly process a record in whole or in part, with the present

1 intent of the authenticating person to identify the person and
2 adopt or accept a record.

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

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

8 (j) "Certificate of title" means a certificate of title with
9 respect to which a statute provides for the security interest in
10 question to be indicated on the certificate as a condition or
11 result of the security interest's obtaining priority over the
12 rights of a lien creditor with respect to the collateral.

13 (k) "Chattel paper" means a record or records that evidence
14 both a monetary obligation and a security interest in specific
15 goods, a security interest in specific goods and software used in
16 the goods, a security interest in specific goods and license of
17 software used in the goods, a lease of specific goods, or a lease
18 of specific goods and license of software used in the goods. As
19 used in this subdivision, "monetary obligation" means a monetary
20 obligation secured by the goods or owed under a lease of the
21 goods and includes a monetary obligation with respect to software
22 used in the goods. The term does not include charters or other
23 contracts involving the use or hire of a vessel, or records that
24 evidence a right to payment arising out of the use of a credit or
25 charge card or information contained on or for use with the card.
26 If a transaction is evidenced by records that include an
27 instrument or series of instruments, the group of records taken

1 together constitutes chattel paper.

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

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

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

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

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

11 (i) The claimant is an organization.

12 (ii) The claimant is an individual and the claim arose in the
13 course of the claimant's business or profession and does not
14 include damages arising out of personal injury to or the death of
15 an individual.

16 (n) "Commodity account" means an account maintained by a
17 commodity intermediary in which a commodity contract is carried
18 for a commodity customer.

19 (o) "Commodity contract" means a commodity futures contract,
20 an option on a commodity futures contract, a commodity option, or
21 another contract if the contract or option is 1 of the following:

22 (i) Traded on or subject to the rules of a board of trade
23 that has been designated as a contract market for such a contract
24 pursuant to federal commodities laws.

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

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

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

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

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

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

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

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

14 (iii) In the case of transmission of a record to or by a
15 filing office, to transmit a record by any means prescribed by
16 filing-office rule.

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

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

22 (i) The merchant deals in goods of that kind under a name
23 other than the name of the person making delivery, is not an
24 auctioneer, and is not generally known by its creditors to be
25 substantially engaged in selling the goods of others.

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

1 (iii) The goods are not consumer goods immediately before
2 delivery.

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

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

7 (v) "Consumer debtor" means a debtor in a consumer
8 transaction.

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

11 (x) "Consumer-goods transaction" means a consumer
12 transaction in which an individual incurs an obligation primarily
13 for personal, family, or household purposes and a security
14 interest in consumer goods secures the obligation.

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

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

24 (aa) "Continuation statement" means an amendment of a
25 financing statement which identifies, by its file number, the
26 initial financing statement to which it relates and indicates
27 that it is a continuation statement for, or that it is filed to

1 continue the effectiveness of, the identified financing
2 statement.

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

4 (i) A person having an interest, other than a security
5 interest or other lien, in the collateral, whether or not the
6 person is an obligor.

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

9 (iii) A consignee.

10 (cc) "Deposit account" means a demand, time, savings,
11 passbook, or similar account maintained with a bank. The term
12 does not include investment property or accounts evidenced by an
13 instrument.

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

16 (ee) "Electronic chattel paper" means chattel paper
17 evidenced by a record or records consisting of information stored
18 in an electronic medium.

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

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

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

27 (i) Crops grown, growing, or to be grown, including crops

1 produced on trees, vines, and bushes, and aquatic goods produced
2 in aquacultural operations.

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

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

6 (iv) Products of crops or livestock in their unmanufactured
7 states.

8 (ii) "Farming operation" means raising, cultivating,
9 propagating, fattening, grazing, or any other farming, livestock,
10 or aquacultural operation.

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

13 (kk) "Filing office" means an office designated in section
14 9501 as the place to file a financing statement.

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

17 (mm) "Financing statement" means a record or records
18 composed of an initial financing statement and any filed record
19 relating to the initial financing statement.

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

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

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

7 (qq) "Good faith" means honesty in fact and the observance
8 of reasonable commercial standards of fair dealing.

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

27 (ss) "Governmental unit" means a subdivision, agency,

1 department, county, parish, municipality, or other unit of the
2 government of the United States, a state, or a foreign country.
3 The term includes an organization having a separate corporate
4 existence if the organization is eligible to issue debt on which
5 interest is exempt from income taxation under the laws of the
6 United States.

7 (tt) "Health-care-insurance receivable" means an interest in
8 or claim under a policy of insurance which is a right to payment
9 of a monetary obligation for health-care goods or services
10 provided.

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

20 (vv) "Inventory" means goods, other than farm products, that
21 meet 1 of the following:

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

23 (ii) Are held by a person for sale or lease or to be
24 furnished under a contract of service.

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

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

1 (ww) "Investment property" means a security, whether
2 certificated or uncertificated, security entitlement, securities
3 account, commodity contract, or commodity account.

4 (xx) "Jurisdiction of organization", with respect to a
5 registered organization, means the jurisdiction under whose law
6 the organization is organized.

7 (yy) "Letter-of-credit right" means a right to payment or
8 performance under a letter of credit, whether or not the
9 beneficiary has demanded or is at the time entitled to demand
10 payment or performance. The term does not include the right of a
11 beneficiary to demand payment or performance under a letter of
12 credit.

13 (zz) "Lien creditor" means 1 or more of the following:

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

16 (ii) An assignee for benefit of creditors from the time of
17 assignment.

18 (iii) A trustee in bankruptcy from the date of the filing of
19 the petition.

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

21 (aaa) "Manufactured home" means a structure, transportable
22 in 1 or more sections, which, in the traveling mode, is 8 body
23 feet or more in width or 40 body feet or more in length, or when
24 erected on site, is 320 or more square feet, and which is built
25 on a permanent chassis and designed to be used as a dwelling with
26 or without a permanent foundation when connected to the required
27 utilities, and includes the plumbing, heating, air-conditioning,

1 and electrical systems contained therein. The term includes any
2 structure that meets all of the requirements of this paragraph
3 except the size requirements and with respect to which the
4 manufacturer voluntarily files a certification required by the
5 secretary of the department of housing and urban development and
6 complies with the standards established under title 42 of the
7 United States Code.

8 (bbb) "Manufactured-home transaction" means a secured
9 transaction that creates a purchase-money security interest in a
10 manufactured home, other than a manufactured home held as
11 inventory, or in which a manufactured home, other than a
12 manufactured home held as inventory, is the primary collateral.

13 (ccc) "Mortgage" means a consensual interest in real
14 property, including fixtures, which secures payment or
15 performance of an obligation.

16 (ddd) "New debtor" means a person that becomes bound as
17 debtor under section 9203(4) by a security agreement previously
18 entered into by another person.

19 (eee) "New value" means money, money's worth in property,
20 services, or new credit, or release by a transferee of an
21 interest in property previously transferred to the transferee.
22 The term does not include an obligation substituted for another
23 obligation.

24 (fff) "Noncash proceeds" means proceeds other than cash
25 proceeds.

26 (ggg) "Obligor" means a person that, with respect to an
27 obligation secured by a security interest in or an agricultural

1 lien on the collateral, owes payment or other performance of the
2 obligation, has provided property other than the collateral to
3 secure payment or other performance of the obligation, or is
4 otherwise accountable in whole or in part for payment or other
5 performance of the obligation. The term does not include issuers
6 or nominated persons under a letter of credit.

7 (hhh) "Original debtor" means, except as used in section
8 9310(3), a person that, as debtor, entered into a security
9 agreement to which a new debtor has become bound under section
10 9203(4).

11 (iii) "Payment intangible" means a general intangible under
12 which the account debtor's principal obligation is a monetary
13 obligation.

14 (jjj) "Person related to", with respect to an individual,
15 means 1 or more of the following:

16 (i) The spouse of the individual.

17 (ii) A brother, brother-in-law, sister, or sister-in-law of
18 the individual.

19 (iii) An ancestor or lineal descendant of the individual or
20 the individual's spouse.

21 (iv) Any other relative, by blood or marriage, of the
22 individual or the individual's spouse who shares the same home
23 with the individual.

24 (kkk) "Person related to", with respect to an organization,
25 means 1 or more of the following:

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

- 1 (ii) An officer or director of, or a person performing
2 similar functions with respect to, the organization.
- 3 (iii) An officer or director of, or a person performing
4 similar functions with respect to, a person described in
5 subparagraph (i).
- 6 (iv) The spouse of an individual described in subparagraph
7 (i), (ii), or (iii).
- 8 (v) An individual who is related by blood or marriage to an
9 individual described in subparagraph (i), (ii), (iii), or (iv) and
10 shares the same home with the individual.
- 11 (iii) "Proceeds" means, except as used in section 9609(2), 1
12 or more of the following property:
- 13 (i) Whatever is acquired upon the sale, lease, license,
14 exchange, or other disposition of collateral.
- 15 (ii) Whatever is collected on, or distributed on account of,
16 collateral.
- 17 (iii) Rights arising out of collateral.
- 18 (iv) To the extent of the value of collateral, claims arising
19 out of the loss, nonconformity, or interference with the use of,
20 defects or infringement of rights in, or damage to, the
21 collateral.
- 22 (v) To the extent of the value of collateral and to the
23 extent payable to the debtor or the secured party, insurance
24 payable by reason of the loss or nonconformity of, defects or
25 infringement of rights in, or damage to, the collateral.
- 26 (mmm) "Promissory note" means an instrument that evidences a
27 promise to pay a monetary obligation, does not evidence an order

1 to pay, and does not contain an acknowledgment by a bank that the
2 bank has received for deposit a sum of money or funds.

3 (nnn) "Proposal" means a record authenticated by a secured
4 party which includes the terms on which the secured party is
5 willing to accept collateral in full or partial satisfaction of
6 the obligation it secures pursuant to sections 9620, 9621, and
7 9622.

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

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

19 (qqq) "Registered organization" means an organization
20 organized solely under the law of a single state or the United
21 States and as to which the state or the United States must
22 maintain a public record showing the organization to have been
23 organized.

24 (rrr) "Secondary obligor" means an obligor to the extent
25 that the obligor's obligation is secondary or the obligor has a
26 right of recourse with respect to an obligation secured by
27 collateral against the debtor, another obligor, or property of

1 either.

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

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

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

7 (iii) A consignor.

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

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

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

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

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

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

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

26 (vvv) "Software" means a computer program and any supporting
27 information provided in connection with a transaction relating to

1 the program. The term does not include a computer program that is
2 included in the definition of goods.

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

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

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

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

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

21 (i) Operating a railroad, subway, street railway, or trolley
22 bus.

23 (ii) Transmitting communications electrically,
24 electromagnetically, or by light.

25 (iii) Transmitting goods by pipeline or sewer.

26 (iv) Transmitting or producing and transmitting electricity,
27 steam, gas, or water.

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

| | | |
|----|---|---------------------|
| 3 | "Applicant" | Section 5102 |
| 4 | "Beneficiary" | Section 5102 |
| 5 | "Broker" | Section 8102 |
| 6 | "Certificated security" | Section 8102 |
| 7 | "Check" | Section 3104 |
| 8 | "Clearing corporation" | Section 8102 |
| 9 | "Contract for sale" | Section 2106 |
| 10 | "Customer" | Section 4104 |
| 11 | "Entitlement holder" | Section 8102 |
| 12 | "Financial asset" | Section 8102 |
| 13 | "Holder in due course" | Section 3302 |
| 14 | "ISSUER" (WITH RESPECT TO A DOCUMENT | |
| 15 | OF TITLE) | SECTION 7102 |
| 16 | "Issuer" (with respect to a letter | |
| 17 | of credit or letter-of-credit right) | Section 5102 |
| 18 | "Issuer" (with respect to a security) | Section 8201 |
| 19 | "Lease" | Section 2A103 |
| 20 | "Lease agreement" | Section 2A103 |
| 21 | "Lease contract" | Section 2A103 |
| 22 | "Leasehold interest" | Section 2A103 |
| 23 | "Lessee" | Section 2A103 |
| 24 | "Lessee in ordinary course of business" | Section 2A103 |
| 25 | "Lessor" | Section 2A103 |
| 26 | "Lessor's residual interest" | Section 2A103 |
| 27 | "Letter of credit" | Section 5102 |
| 28 | "Merchant" | Section 2104 |
| 29 | "Negotiable instrument" | Section 3104 |
| 30 | "Nominated person" | Section 5102 |

| | | |
|----|----------------------------------|---------------|
| 1 | "Note" | Section 3104 |
| 2 | "Proceeds of a letter of credit" | Section 5114 |
| 3 | "Prove" | Section 3103 |
| 4 | "Sale" | Section 2106 |
| 5 | "Securities account" | Section 8501 |
| 6 | "Securities intermediary" | Section 8102 |
| 7 | "Security" | Section 8102 |
| 8 | "Security certificate" | Section 8102 |
| 9 | "Security entitlement" | Section 8102 |
| 10 | "Uncertificated security" | Section 8102. |

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

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

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

22 (a) Value has been given.

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

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

26 (i) The debtor has authenticated a security agreement that
 27 provides a description of the collateral and, if the security
 28 interest covers timber to be cut, a description of the land

1 concerned.

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

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

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

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

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

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

25 (b) The person becomes generally obligated for the
26 obligations of the other person, including the obligation secured
27 under the security agreement, and acquires or succeeds to all or

1 substantially all of the assets of the other person.

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

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

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

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

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

24 Sec. 9207. (1) Except as otherwise provided in subsection
25 (4), a secured party shall use reasonable care in the custody and
26 preservation of collateral in the secured party's possession. In
27 the case of chattel paper or an instrument, reasonable care

1 includes taking necessary steps to preserve rights against prior
2 parties unless otherwise agreed.

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

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

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

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

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

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

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

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

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

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

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

25 (c) A secured party, other than a buyer, having control of
26 electronic chattel paper under section 9105 shall do all of the
27 following:

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

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

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

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

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

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

3 (i) GIVE CONTROL OF THE ELECTRONIC DOCUMENT TO THE DEBTOR OR
4 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 DOCUMENT 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 WHICH ADD OR CHANGE AN IDENTIFIED ASSIGNEE OF
16 THE AUTHORITATIVE COPY WITHOUT THE CONSENT OF THE SECURED PARTY.

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

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

26 (b) While collateral is located in a jurisdiction, the local
27 law of that jurisdiction governs perfection, the effect of

1 perfection or nonperfection, and the priority of a possessory
2 security interest in that collateral.

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

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

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

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

20 (a) A security interest that is perfected under section
21 9308(4), (5), (6), or (7).

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

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

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

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

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

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

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

14 (i) A security interest in proceeds that is perfected under
15 section 9315.

16 (j) A security interest that is perfected under section
17 9316.

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

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

25 (2) Except as otherwise provided in section 9315(3) and (4)
26 for proceeds, a security interest in a deposit account, a letter-
27 of-credit right, or money may be perfected only as follows:

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

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

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

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

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

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

19 (b) The bailee's receipt of notification of the secured
20 party's interest.

21 (c) Filing as to the goods.

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

27 (6) A perfected security interest in a negotiable document

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

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

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

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

25 (2) With respect to goods covered by a certificate of title
26 issued by this state, a secured party may perfect a security
27 interest in the goods by taking possession of the goods only in

1 the circumstances described in section 9316(5).

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

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

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

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

25 (7) If a person acknowledges that it holds possession for
26 the secured party's benefit, the acknowledgment is effective
27 under subsection (3) or section 8301(1), even if the

1 acknowledgment violates the rights of a debtor, and unless the
2 person otherwise agrees or law other than this article otherwise
3 provides, the person does not owe any duty to the secured party
4 and is not required to confirm the acknowledgment to another
5 person.

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

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

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

25 (2) A security interest in deposit accounts, electronic
26 chattel paper, ~~or~~ letter-of-credit rights, **OR ELECTRONIC**
27 **DOCUMENTS** is perfected by control under section **7106**, 9104, 9105,

1 or 9107 when the secured party obtains control and remains
2 perfected by control only while the secured party retains
3 control.

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

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

9 (b) One of the following occurs:

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

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

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

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

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

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

22 (i) The time the security interest or agricultural lien is
23 perfected.

24 (ii) The time 1 of the conditions specified in section
25 9203(2)(c) is met and a financing statement covering the
26 collateral is filed.

27 (2) Except as otherwise provided in subsection (5), a buyer,

1 other than a secured party, of tangible chattel paper, **TANGIBLE**
2 documents, goods, instruments, or a security certificate takes
3 free of a security interest or agricultural lien if the buyer
4 gives value and receives delivery of the collateral without
5 knowledge of the security interest or agricultural lien and
6 before it is perfected.

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

12 (4) A licensee of a general intangible or a buyer, other
13 than a secured party, of accounts, electronic chattel paper,
14 **ELECTRONIC DOCUMENTS**, general intangibles, or investment property
15 other than a certificated security takes free of a security
16 interest if the licensee or buyer gives value without knowledge
17 of the security interest and before it is perfected.

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

25 Sec. 9338. If a security interest or agricultural lien is
26 perfected by a filed financing statement providing information
27 described in section 9516(2)(e) that is incorrect at the time the

1 financing statement is filed, all of the following apply:

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

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

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

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

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

23 (2) A secured party in possession of collateral or control
24 of collateral under section **7106**, 9104, 9105, 9106, or 9107 has
25 the rights and duties provided in section 9207.

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

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

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

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

10 (b) The date of filing a financing statement covering the
11 collateral.

12 (c) Any date specified in a statute under which the
13 agricultural lien was created.

14 (6) A sale pursuant to an execution is a foreclosure of the
15 security interest or agricultural lien by judicial procedure
16 within the meaning of this section. A secured party may purchase
17 at the sale and thereafter hold the collateral free of any other
18 requirements of this article.

19 (7) Except as otherwise provided in section 9607(3), this
20 part imposes no duties upon a secured party that is a consignor
21 or is a buyer of accounts, chattel paper, payment intangibles, or
22 promissory notes.

23 Enacting section 1. This amendatory act takes effect July 1,
24 2013.