

ENROLLED HOUSE
BILL NO. 2035

By: Morgan (Fred) of the House

and

Laster of the Senate

An Act relating to the Uniform Commercial Code; amending 12A O.S. 2001, Sections 7-102, 7-103, 7-104, 7-201, 7-202, 7-203, 7-204, 7-205, 7-206, 7-207, 7-208, 7-209, 7-210, 7-301, 7-302, 7-303, 7-304, 7-305, 7-307, 7-308, 7-309, 7-401, 7-402, 7-403, 7-404, 7-501, 7-502, 7-503, 7-504, 7-505, 7-506, 7-507, 7-508, 7-509, 7-601, 7-602 and 7-603, which relate to Article 7 of the Uniform Commercial Code - Documents of Title; modifying definitions; clarifying relationship of Article 7 to other statutes; modifying circumstances in which a document of title is negotiable or nonnegotiable; providing for reissuance of document of title in alternative medium; providing for control of electronic document of title; clarifying persons that may issue a warehouse receipt; modifying form of warehouse receipt; providing effect of omission; clarifying liability for nonreceipt or misdescription; clarifying duty of care and contractual limitation of warehouse liability; clarifying situations in which title under warehouse receipt is defeated; clarifying circumstances for termination of storage at option of the warehouse; clarifying separation of goods and commingling of fungible goods; modifying scope of enforceability of altered warehouse receipts; expanding scope of warehouse lien; modifying enforcement of warehouse lien; clarifying liability for nonreceipt or misdescription and use of certain phrases; clarifying liability pursuant to through bills of lading and similar documents of title; modifying circumstances under which a carrier may deliver pursuant to change of instructions; modifying requirements for bills of lading in a set; clarifying procedure for destination bills; modifying scope of carrier's lien; clarifying procedure for enforcement of carrier's lien; clarifying statutory, regulatory and contractual limitations on duty of care and damages; clarifying obligations of issuer of document of title; clarifying use of duplicate receipts and liability for overissue; modifying procedures and requirements relating to obligation of bailee; clarifying immunity from liability for good-faith delivery; modifying rules applicable to negotiable tangible documents of title; providing rules applicable to negotiable electronic documents of title; clarifying rights acquired by due negotiation; clarifying cases in which document of title is defeated; expanding situations in which rights of a

transferee may be defeated; clarifying provisions that apply only to tangible documents of title; clarifying scope of warranties; expanding situations covered by the Uniform Commercial Code regarding adequate compliance with commercial contracts; modifying procedure regarding lost, stolen or destroyed documents of title; modifying requirements for judicial process against certain goods; clarifying actions for interpleader; amending 12A O.S. 2001, Sections 2-103, 2-104, 2-310, 2-323, 2-401, 2-503, 2-505, 2-506, 2-509, 2-605, 2-705, 2A-103, 2A-514, 2A-526, 4-104, 4-210, 8-103, 1-9-102, as amended by Section 1, Chapter 153, O.S.L. 2004, 1-9-203, 1-9-207, 1-9-208, 1-9-301, 1-9-310, 1-9-312, 1-9-313, 1-9-314, 1-9-317, 1-9-338 and 1-9-601 (12A O.S. Supp. 2004, Section 1-9-102), which relate to other articles of the Uniform Commercial Code; modifying definitions, terms, and references to conform with Article 7 of the Uniform Commercial Code; repealing 12A O.S. 2001, Section 7-105, which relates to construction against negative implication; repealing 12A O.S. 2001, Section 10-104, which relates to laws not repealed; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 12A O.S. 2001, Section 7-102, is amended to read as follows:

Section 7-102. Definitions and Index of Definitions.

~~(1)~~ (a) In this article, unless the context otherwise requires

~~(a)~~ (1) "Bailee" means ~~the~~ a person ~~who~~ that by a warehouse receipt, bill of lading or other document of title acknowledges possession of goods and contracts to deliver them.

~~(b)~~ (2) "Carrier" means a person that issues a bill of lading.

(3) "Consignee" means ~~the~~ a person named in a bill of lading to ~~whom~~ which or to whose order the bill promises delivery.

~~(c)~~ (4) "Consignor" means the person named in a bill of lading as the person from whom the goods have been received for shipment.

~~(d)~~ (5) "Delivery order" means a ~~written~~ record that contains an order to deliver goods directed to a ~~warehouseman~~ warehouse, carrier, or other person ~~who~~ that in the ordinary course of business issues warehouse receipts or bills of lading.

~~(e)~~ "Document" means document of title as defined in the general definitions in Article 1 (Section 1-201).

~~(f)~~ (6) "Good faith" means honesty in fact and the observance of reasonable commercial standards of fair dealing.

(7) "Goods" means all things which that are treated as movable for the purposes of a contract of storage or transportation.

~~(g)~~ (8) "Issuer" means a bailee who that issues a document except that in relation to of title or, in the case of an unaccepted delivery order it means, the person who that orders the possessor of goods to deliver. Issuer The term includes any a person for whom which an agent or employee purports to act in issuing a document if the agent or employee has real or apparent authority to issue documents, notwithstanding that even if the issuer received no did not receive any goods or that, the goods were misdescribed, or that in any other respect the agent or employee violated his the issuer's instructions.

~~(h) "Warehouseman" is~~ (9) "Person entitled under the document" means the holder, in the case of a negotiable document of title, or the person to which delivery of the goods is to be made by the terms of, or pursuant to instructions in a record under, a nonnegotiable document of title.

(10) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(11) "Sign" means, with present intent to authenticate or adopt a record:

(A) to execute or adopt a tangible symbol; or

(B) to attach to or logically associate with the record an electronic sound, symbol, or process.

(12) "Shipper" means a person that enters into a contract of transportation with a carrier.

(13) "Warehouse" means a person engaged in the business of storing goods for hire.

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

~~"Duly negotiate". Section 7-501.~~

~~"Person entitled under the document". Section 7-403(4).~~

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

~~(1) "Contract for sale", Section 2-106.~~

~~"Overseas". Section 2-323.~~

~~(2) "Lessee in the ordinary course of business", Section 2A-103.~~

~~(3) "Receipt" of goods, Section 2-103.~~

~~(4) (c) In addition Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.~~

SECTION 2. AMENDATORY 12A O.S. 2001, Section 7-103, is amended to read as follows:

Section 7-103. ~~Relation of Article to Treaty, or Statute, Tariff, Classification or Regulation.~~

~~To the extent that~~ (a) This article is subject to any treaty or statute of the United States, or regulatory statute of this state or tariff, classification or regulation filed or issued pursuant thereto to the extent the treaty, statute, or regulatory statute is applicable, the provisions of this article are subject thereto.

(b) This article does not modify or repeal any law prescribing the form or content of a document of title or the services or facilities to be afforded by a bailee, or otherwise regulating a bailee's business in respects not specifically treated in this article. However, violation of such a law does not affect the status of a document of title that otherwise is within the definition of a document of title.

(c) This article modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act (15 U.S.C., Section 7001 et seq.) but does not modify, limit, or supersede Section 101(c) of that act (15 U.S.C., Section 7001(c)) or authorize electronic delivery of the notices described in Section 103(b).

(d) To the extent there is a conflict between any law governing electronic transactions and this article, this article governs.

SECTION 3. AMENDATORY 12A O.S. 2001, Section 7-104, is amended to read as follows:

Section 7-104. ~~Negotiable and Nonnegotiable Warehouse Receipt, Bill of Lading or Other Document of Title.~~

~~(1) A warehouse receipt, bill of lading or other~~ (a) Except as otherwise provided in subsection (c) of this section, a document of title is negotiable

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

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

~~(2) Any other~~ A document of title other than one described in subsection (a) of this section is nonnegotiable. A bill of lading in which it is stated that states that the goods are consigned to a named person is not made negotiable by a provision that the goods are to be delivered only against a written an order in a record signed by the same or another named person.

(c) A document of title is nonnegotiable if, at the time it is issued, the document has a conspicuous legend, however expressed, that it is nonnegotiable.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 7-105.1 of Title 12A, unless there is created a duplication in numbering, reads as follows:

Reissuance in Alternative Medium.

(a) Upon request of a person entitled under an electronic document of title, the issuer of the electronic document may issue a tangible document of title as a substitute for the electronic document if:

(1) the person entitled under the electronic document surrenders control of the document to the issuer; and

(2) the tangible document when issued contains a statement that it is issued in substitution for the electronic document.

(b) Upon issuance of a tangible document of title in substitution for an electronic document of title in accordance with subsection (a) of this section:

(1) the electronic document ceases to have any effect or validity; and

(2) the person that procured issuance of the tangible document warrants to all subsequent persons entitled under the tangible document that the warrantor was a person entitled under the electronic document when the warrantor surrendered control of the electronic document to the issuer.

(c) Upon request of a person entitled under a tangible document of title, the issuer of the tangible document may issue an electronic document of title as a substitute for the tangible document if:

(1) the person entitled under the tangible document surrenders possession of the document to the issuer; and

(2) the electronic document when issued contains a statement that it is issued in substitution for the tangible document.

(d) Upon issuance of an electronic document of title in substitution for a tangible document of title in accordance with subsection (c) of this section:

(1) the tangible document ceases to have any effect or validity; and

(2) the person that procured issuance of the electronic document warrants to all subsequent persons entitled under the electronic document that the warrantor was a person entitled under the tangible document when the warrantor surrendered possession of the tangible document to the issuer.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 7-106 of Title 12A, unless there is created a duplication in numbering, reads as follows:

Control of Electronic Document of Title.

(a) A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred.

(b) A system satisfies subsection (a) of this section, and a person is deemed to have control of an electronic document of title, if the document is created, stored, and assigned in such a manner that:

(1) a single authoritative copy of the document exists which is unique, identifiable, and, except as otherwise provided in paragraphs (4), (5), and (6) of this subsection, unalterable;

(2) the authoritative copy identifies the person asserting control as:

(A) the person to which the document was issued; or

(B) if the authoritative copy indicates that the document has been transferred, the person to which the document was most recently transferred;

(3) the authoritative copy is communicated to and maintained by the person asserting control or its designated custodian;

(4) copies or amendments that add or change an identified assignee of the authoritative copy can be made only with the consent of the person asserting control;

(5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy; and

(6) any amendment of the authoritative copy is readily identifiable as authorized or unauthorized.

SECTION 6. AMENDATORY 12A O.S. 2001, Section 7-201, is amended to read as follows:

Section 7-201. ~~Who~~ Persons That May Issue a Warehouse Receipt; Storage Under ~~Government~~ Bond.

~~(1)~~ (a) A warehouse receipt may be issued by any ~~warehouseman~~ warehouse.

~~(2) Where~~ (b) If goods, including distilled spirits and agricultural commodities, are stored under a statute requiring a bond against withdrawal or a license for the issuance of receipts in the nature of warehouse receipts, a receipt issued for the goods ~~has like effect as~~ is deemed to be a warehouse receipt even ~~though~~ if issued by a person who is the owner of the goods and is not a ~~warehouseman~~ warehouse.

SECTION 7. AMENDATORY 12A O.S. 2001, Section 7-202, is amended to read as follows:

Section 7-202. Form of Warehouse Receipt; ~~Essential Terms;~~ Optional Terms Effect of Omission.

~~(1)~~ (a) A warehouse receipt need not be in any particular form.

~~(2)~~ (b) Unless a warehouse receipt ~~embodies within its written or printed terms~~ provides for each of the following, the ~~warehouseman~~ warehouse is liable for damages caused to a person injured by the omission ~~to a person injured thereby~~:

~~(a)~~ (1) a statement of the location of the warehouse where the goods are stored;

~~(b)~~ (2) the date of issue of the receipt;

~~(c)~~ ~~the consecutive number~~ (3) the unique identification code of the receipt;

~~(d)~~ (4) a statement whether the goods received will be delivered to the bearer, to a ~~specified~~ named person, or to a ~~specified~~ named person or ~~his~~ its order;

~~(e)~~ (5) the rate of storage and handling charges, ~~except that where unless~~ goods are stored under a field warehousing arrangement, in which case a statement of that fact is sufficient on a nonnegotiable receipt;

~~(f)~~ (6) a description of the goods or of the packages containing them;

~~(g)~~ (7) the signature of the ~~warehouseman, which may be made by his~~ authorized warehouse or its agent;

~~(h)~~ (8) if the receipt is issued for goods ~~of which the warehouseman is owner~~ that the warehouse owns, either solely ~~or~~, jointly, or in common with others, a statement of the fact of such that ownership; and

~~(i)~~ (9) a statement of the amount of advances made and of liabilities incurred for which the ~~warehouseman~~ warehouse claims a lien or security interest ~~(Section 7-209)~~. If, unless the precise amount of ~~such~~ advances made or ~~of such~~ liabilities incurred ~~is~~, at the time of the issue of the receipt, is unknown to the ~~warehouseman~~ warehouse or to ~~his~~ its agent ~~who issues it, that issued the receipt, in which case~~ a statement of the fact that advances have been made or liabilities incurred and the purpose ~~thereof~~ of the advances or liabilities is sufficient.

~~(3)~~ (c) A ~~warehouseman~~ warehouse may insert in ~~his~~ its receipt any ~~other~~ terms ~~which~~ that are not contrary to the provisions of ~~this act~~ the Uniform Commercial Code and do not impair ~~his~~ its obligation of delivery ~~(under Section 7-403)~~ of this title or ~~his~~ its duty of care ~~(under Section 7-204)~~ of this title. Any contrary provisions ~~shall be~~ are ineffective.

SECTION 8. AMENDATORY 12A O.S. 2001, Section 7-203, is amended to read as follows:

Section 7-203. Liability for Nonreceipt or Misdescription.

A party to or purchaser for value in good faith of a document of title, other than a bill of lading relying in either case, that relies upon the description ~~therein~~ of the goods in the document may

recover from the issuer damages caused by the nonreceipt or misdescription of the goods, except to the extent that:

(1) the document conspicuously indicates that the issuer does not know whether ~~any part or~~ all or part of the goods in fact were received or conform to the description, such as where a case in which the description is in terms of marks or labels or kind, quantity, or condition, or the receipt or description is qualified by "contents, condition, and quality unknown", "said to contain" or ~~the like~~ words of similar import, if such indication ~~be~~ is true; or

(2) the party or purchaser otherwise has notice of the nonreceipt or misdescription.

SECTION 9. AMENDATORY 12A O.S. 2001, Section 7-204, is amended to read as follows:

Section 7-204. Duty of Care; Contractual Limitation of ~~Warehouseman's~~ Warehouse's Liability.

~~(1)~~ (a) A ~~warehouseman~~ warehouse is liable for damages for loss of or injury to the goods caused by ~~his~~ its failure to exercise ~~such~~ care ~~in~~ with regard to ~~them~~ the goods as a reasonably careful ~~man~~ person would exercise under like similar circumstances ~~but unless~~. Unless otherwise agreed he, the warehouse is not liable for damages ~~which that~~ could not have been avoided by the exercise of ~~such~~ that care.

~~(2)~~ (b) Damages may be limited by a term in the warehouse receipt or storage agreement limiting the amount of liability in case of loss or damage, ~~and setting forth a specific liability per article or item, or value per unit of weight,~~ beyond which the ~~warehouseman~~ warehouse shall not be liable; ~~provided, however, that such liability may on written.~~ Such a limitation is not effective with respect to the warehouse's liability for conversion to its own use. On request of the bailor in a record at the time of signing such the storage agreement or within a reasonable time after receipt of the warehouse receipt, the warehouse's liability may be increased on part or all of the goods thereunder, in which covered by the storage agreement or the warehouse receipt. In this event, increased rates may be charged based on such an increased valuation, but that no such increase shall be permitted contrary to a lawful limitation of liability contained in the warehouseman's tariff, if any. No such limitation is effective with respect to the warehouseman's liability for conversion to his own use of the goods.

~~(3)~~ (c) Reasonable provisions as to the time and manner of presenting claims and ~~instituting~~ commencing actions based on the bailment may be included in the warehouse receipt or ~~tariff~~ storage agreement.

SECTION 10. AMENDATORY 12A O.S. 2001, Section 7-205, is amended to read as follows:

Section 7-205. Title Under Warehouse Receipt Defeated in Certain Cases.

A buyer in the ordinary course of business of fungible goods sold and delivered by a ~~warehouseman who~~ warehouse that is also in the business of buying and selling such goods takes the goods free

of any claim under a warehouse receipt even ~~though it~~ if the receipt is negotiable and has been duly negotiated.

SECTION 11. AMENDATORY 12A O.S. 2001, Section 7-206, is amended to read as follows:

Section 7-206. Termination of Storage at ~~Warehouseman's~~ Warehouse's Option.

~~(1)~~ (a) ~~A warehouseman may on notifying warehouse, by giving notice to the person on whose account the goods are held and any other person known to claim an interest in the goods, may require payment of any charges and removal of the goods from the warehouse at the termination of the period of storage fixed by the document of title, or, if no a period is not fixed, within a stated period not less than thirty (30) days after the notification warehouse gives notice. If the goods are not removed before the date specified in the notification notice, the warehouseman warehouse may sell them in accordance with the provisions of the section on enforcement of a warehouseman's lien (pursuant to Section 7-210) of this title.~~

~~(2)~~ (b) If a ~~warehouseman warehouse~~ in good faith believes that ~~the~~ goods are about to deteriorate or decline in value to less than the amount of ~~his~~ its lien within the time ~~prescribed~~ provided in subsection ~~(1) for notification, advertisement and sale, the warehouseman (a) of this section and Section 7-210 of this title, the warehouse may specify in the notification notice given under subsection (a) of this section any reasonable shorter time for removal of the goods and in case, if the goods are not removed, may sell them at public sale held not less than one (1) week after a single advertisement or posting.~~

~~(3)~~ (c) If, as a result of a quality or condition of the goods of which the ~~warehouseman had no~~ warehouse did not have notice at the time of deposit, the goods are a hazard to other property ~~or to,~~ the warehouse facilities, or ~~to~~ other persons, the ~~warehouseman warehouse~~ may sell the goods at public or private sale without advertisement or posting on reasonable notification to all persons known to claim an interest in the goods. If the ~~warehouseman warehouse,~~ after a reasonable effort, is unable to sell the goods ~~he,~~ it may dispose of them in any lawful manner and ~~shall~~ does not incur ~~no~~ liability by reason of ~~such~~ that disposition.

~~(4)~~ ~~The warehouseman must~~ (d) A warehouse shall deliver the goods to any person entitled to them under this article upon due demand made at any time ~~prior to~~ before sale or other disposition under this section.

~~(5)~~ ~~The warehouseman~~ (e) A warehouse may satisfy ~~his~~ its lien from the proceeds of any sale or disposition under this section but ~~must~~ shall hold the balance for delivery on the demand of any person to ~~whom he~~ which the warehouse would have been bound to deliver the goods.

SECTION 12. AMENDATORY 12A O.S. 2001, Section 7-207, is amended to read as follows:

Section 7-207. Goods Must be Kept Separate; Fungible Goods.

~~(1)~~ (a) Unless the warehouse receipt otherwise provides, a ~~warehouseman must~~ warehouse shall keep separate the goods covered by each receipt so as to permit at all times identification and delivery of those goods ~~except that~~. However, different lots of fungible goods may be commingled.

~~(2)~~ ~~Fungible~~ (b) If different lots of fungible goods ~~se~~ are commingled, the goods are owned in common by the persons entitled thereto and the ~~warehouseman~~ warehouse is severally liable to each owner for that owner's share. ~~Where~~ If, because of overissue, a mass of fungible goods is insufficient to meet all the receipts which the ~~warehouseman~~ warehouse has issued against it, the persons entitled include all holders to ~~whom~~ which overissued receipts have been duly negotiated.

SECTION 13. AMENDATORY 12A O.S. 2001, Section 7-208, is amended to read as follows:

Section 7-208. Altered Warehouse Receipts.

~~Where~~ If a blank in a negotiable tangible warehouse receipt has been filled in without authority, a good-faith purchaser for value and without notice of the ~~want~~ lack of authority may treat the insertion as authorized. Any other unauthorized alteration leaves any tangible or electronic warehouse receipt enforceable against the issuer according to its original tenor.

SECTION 14. AMENDATORY 12A O.S. 2001, Section 7-209, is amended to read as follows:

Section 7-209. Lien of ~~Warehouseman~~ Warehouse.

~~(1)~~ (a) A ~~warehouseman~~ warehouse has a lien against the bailor on the goods covered by a warehouse receipt or storage agreement or on the proceeds thereof in ~~his~~ its possession for charges for storage or transportation ~~(, including demurrage and terminal charges)~~, insurance, labor, or other charges, present or future, in relation to the goods, and for expenses necessary for preservation of the goods or reasonably incurred in their sale pursuant to law. If the person on whose account the goods are held is liable for ~~like~~ similar charges or expenses in relation to other goods whenever deposited and it is stated in the warehouse receipt or storage agreement that a lien is claimed for charges and expenses in relation to other goods, the ~~warehouseman~~ warehouse also has a lien against ~~him~~ for such the goods covered by the warehouse receipt or storage agreement or on the proceeds thereof in its possession for those charges and expenses, whether or not the goods have been delivered by the ~~warehouseman~~ warehouse. ~~But~~ However, as against a person to ~~whom~~ which a negotiable warehouse receipt is duly negotiated, a ~~warehouseman's~~ warehouse's lien is limited to charges in an amount or at a rate specified ~~on~~ in the warehouse receipt or, if no charges are so specified ~~then~~, to a reasonable charge for storage of the specific goods covered by the receipt subsequent to the date of the receipt.

~~(2)~~ ~~The warehouseman~~ (b) A warehouse may also reserve a security interest against the bailor for ~~a~~ the maximum amount specified on the receipt for charges other than those specified in subsection ~~(1)~~ (a) of this section, such as for money advanced and

interest. ~~Such a~~ The security interest is governed by the article on Secured Transactions (Article 9).

~~(3) (a) (c)~~ A warehouseman's warehouse's lien for charges and expenses under subsection (1) (a) of this section or a security interest under subsection (2) (b) of this section is also effective against any person who that so entrusted the bailor with possession of the goods that a pledge of them by him the bailor to a good faith purchaser for value would have been valid but. However, the lien or security interest is not effective against a person as to whom the that before issuance of a document confers no right in the goods covered by it under Section 7-503:

(1) delivers or entrusts the goods or any document of title covering the goods to the bailor or the bailor's nominee with:

- (A) actual or apparent authority to ship, store, or sell;
- (B) power to obtain delivery under Section 7-403 of this title; or
- (C) power of disposition under Sections 2-403, 2A-304(2), 2A-305(2), 1-9-320, or 1-9-321(c) of the Uniform Commercial Code or other statute or rule of law; or

(2) acquiesces in the procurement by the bailor or its nominee of any document.

~~(b) (d)~~ A warehouseman's warehouse's lien on household goods for charges and expenses in relation to the goods under subsection (1) (a) of this section is also effective against all persons if the depositor was the legal possessor of the goods at the time of deposit. "Household In this subsection, "household goods" means furniture, furnishings and, or personal effects used by the depositor in a dwelling.

~~(4) (e)~~ A warehouseman warehouse loses his its lien on any goods which he that it voluntarily delivers or which he unjustifiably refuses to deliver.

SECTION 15. AMENDATORY 12A O.S. 2001, Section 7-210, is amended to read as follows:

Section 7-210. Enforcement of Warehouseman's Lien.

~~(1) (a)~~ Except as provided in subsection (2) (b) of this section, a warehouseman's warehouse's lien may be enforced by public or private sale of the goods in bloc or in parcels, in bulk or in packages, at any time or place and on any terms which that are commercially reasonable, after notifying all persons known to claim an interest in the goods. Such The notification must include a statement of the amount due, the nature of the proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a method different method from that selected by the warehouseman warehouse is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. If the warehouseman either The warehouse sells in a commercially reasonable manner if the warehouse sells the goods in the usual manner in any recognized market therefor, or if he sells at the price current in such that

market at the time of ~~his~~ the sale, or ~~if he has otherwise sold~~ otherwise sells in conformity with commercially reasonable practices among dealers in the type of goods sold, ~~he has sold in a commercially reasonable manner.~~ A sale of more goods than apparently necessary to be offered to ~~insure~~ ensure satisfaction of the obligation is not commercially reasonable except in cases covered by the preceding sentence.

~~(2)~~ (b) A ~~warehouseman's~~ warehouse may enforce its lien on goods other than goods stored by a merchant in the course of ~~his~~ its business ~~may be enforced only as follows,~~ only if the following requirements are satisfied:

~~(a)~~ (1) All persons known to claim an interest in the goods must be notified.

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

~~(c)~~ (2) The notification must include an itemized statement of the claim, a description of the goods subject to the lien, a demand for payment within a specified time not less than ten (10) days after receipt of the notification, and a conspicuous statement that unless the claim is paid within that time the goods will be advertised for sale and sold by auction at a specified time and place.

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

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

~~(f)~~ (5) After the expiration of the time given in the notification, an advertisement of the sale must be published once a week for two (2) weeks consecutively in a newspaper of general circulation where the sale is to be held. The advertisement must include a description of the goods, the name of the person on whose account they are being held, and the time and place of the sale. The sale must take place at least fifteen (15) days after the first publication. If there is no newspaper of general circulation where the sale is to be held, the advertisement must be posted at least ten (10) days before the sale in not ~~less~~ fewer than six conspicuous places in the neighborhood of the proposed sale.

~~(3)~~ (c) Before any sale pursuant to this section, any person claiming a right in the goods may pay the amount necessary to satisfy the lien and the reasonable expenses incurred ~~under~~ in complying with this section. In that event, the goods ~~must~~ may not be sold, but must be retained by the ~~warehouseman~~ warehouse subject to the terms of the receipt and this article.

~~(4)~~ The warehouseman ~~(d)~~ A warehouse may buy at any public sale pursuant to this section.

~~(5)~~ (e) A purchaser in good faith of goods sold to enforce a ~~warehouseman's~~ warehouse's lien takes the goods free of any rights of persons against ~~whom~~ which the lien was valid, despite the warehouse's noncompliance ~~by the warehouseman~~ with ~~the requirements of~~ this section.

~~(6) The warehouseman~~ (f) A warehouse may satisfy ~~his~~ its lien from the proceeds of any sale pursuant to this section but ~~must~~ shall hold the balance, if any, for delivery on demand to any person to ~~whom he~~ which the warehouse would have been bound to deliver the goods.

~~(7) (g)~~ The rights provided by this section ~~shall be~~ are in addition to all other rights allowed by law to a creditor against ~~his~~ a debtor.

~~(8) Where~~ (h) If a lien is on goods stored by a merchant in the course of ~~his~~ its business the lien may be enforced in accordance with ~~either~~ subsection ~~(1)~~ (a) or ~~(2)~~ (b) of this section.

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

SECTION 16. AMENDATORY 12A O.S. 2001, Section 7-301, is amended to read as follows:

Section 7-301. Liability for Nonreceipt or Misdescription; "Said to Contain"; "Shipper's Load and Count"; Improper Handling.

~~(1) (a)~~ A consignee of a nonnegotiable bill ~~who~~ of lading which has given value in good faith, or a holder to ~~whom~~ which a negotiable bill has been duly negotiated, relying ~~in either case~~ upon the description ~~therein~~ of the goods, in the bill or upon the date ~~therein~~ shown in the bill, may recover from the issuer damages caused by the misdating of the bill or the nonreceipt or misdescription of the goods, except to the extent that the ~~document~~ bill indicates that the issuer does not know whether any part or all of the goods in fact were received or conform to the description, ~~as~~ where such as in a case in which the description is in terms of marks or labels or kind, quantity, or condition or the receipt or description is qualified by "contents or condition of contents of packages unknown", "said to contain", "shipper's weight, load and count" or ~~the like~~ words of similar import, if such indication ~~be~~ is true.

~~(2) When~~ (b) If goods are loaded by an issuer ~~who is a common carrier,~~ of a bill of lading:

(1) the issuer ~~must~~ shall count the packages of goods if ~~package freight shipped in packages~~ and ascertain the kind and quantity if shipped in bulk freight. ~~In such cases; and~~

(2) words such as "shipper's weight, load and count" or other words of similar import indicating that the description was made by the shipper are ineffective except as to ~~freight~~ goods concealed by packages.

~~(3) When~~ (c) If bulk ~~freight is~~ goods are loaded by a shipper ~~who~~ that makes available to the issuer of a bill of lading adequate facilities for weighing ~~such freight~~ those goods, ~~an~~ the issuer ~~who is a common carrier must~~ shall ascertain the kind and quantity within a reasonable time after receiving the ~~written~~ shipper's request ~~of the shipper~~ in a record to do so. ~~In such cases that~~

case, "shipper's weight" or other words of like purport similar import are ineffective.

~~(4)~~ (d) The issuer may by inserting of a bill of lading, by including in the bill the words "shipper's weight, load and count" or other words of like purport similar import may indicate that the goods were loaded by the shipper, and, if such that statement be is true, the issuer shall not be liable for damages caused by the improper loading. But their However, omission of such words does not imply liability for such damages caused by improper loading.

~~(5)~~ The (e) A shipper shall be deemed to have guaranteed guarantees to the an issuer the accuracy at the time of shipment of the description, marks, labels, number, kind, quantity, condition and weight, as furnished by him; the shipper, and the shipper shall indemnify the issuer against damage caused by inaccuracies in such those particulars. The This right of the issuer to such indemnity shall in no way does not limit his the issuer's responsibility and liability under the contract of carriage to any person other than the shipper.

SECTION 17. AMENDATORY 12A O.S. 2001, Section 7-302, is amended to read as follows:

Section 7-302. Through Bills of Lading and Similar Documents of Title.

~~(1)~~ (a) The issuer of a through bill of lading, or other document embodying an undertaking to be performed in part by persons a person acting as its agents agent or by connecting carriers a performing carrier, is liable to anyone any person entitled to recover on the bill or other document for any breach by such the other persons person or by a connecting the performing carrier of its obligation under the bill or document but. However, to the extent that the bill or other document covers an undertaking to be performed overseas or in territory not contiguous to the continental United States or an undertaking including matters other than transportation, this liability for breach by the other person or the performing carrier may be varied by agreement of the parties.

~~(2)~~ Where (b) If goods covered by a through bill of lading or other document of title embodying an undertaking to be performed in part by persons a person other than the issuer are received by any such that person, he the person is subject, with respect to his its own performance while the goods are in his its possession, to the obligation of the issuer. His The person's obligation is discharged by delivery of the goods to another such person pursuant to the bill or document, and does not include liability for breach by any other such persons person or by the issuer.

~~(3)~~ (c) The issuer of such a through bill of lading or other document shall be of title described in subsection (a) of this section is entitled to recover from the connecting carrier, or such other person in possession of the goods when the breach of the obligation under the bill or other document occurred,:

(1) the amount it may be required to pay to anyone any person entitled to recover on the bill or other document therefor for the breach, as may be evidenced by any receipt, judgment, or transcript thereof, of judgment; and

(2) the amount of any expense reasonably incurred by ~~it~~ the issuer in defending any action brought by anyone by any person entitled to recover on the bill or other document therefor for the breach.

SECTION 18. AMENDATORY 12A O.S. 2001, Section 7-303, is amended to read as follows:

Section 7-303. Diversion; Reconsignment; Change of Instructions.

~~(1)~~ (a) Unless the bill of lading otherwise provides, the a carrier may deliver the goods to a person or destination other than that stated in the bill or may otherwise dispose of the goods, without liability for misdelivery, on instructions from:

~~(a)~~ (1) the holder of a negotiable bill; or

~~(b)~~ (2) the consignor on a nonnegotiable bill notwithstanding, even if the consignee has given contrary instructions from the consignee; or

~~(c)~~ (3) the consignee on a nonnegotiable bill in the absence of contrary instructions from the consignor, if the goods have arrived at the billed destination or if the consignee is in possession of the tangible bill or in control of the electronic bill; or

~~(d)~~ (4) the consignee on a nonnegotiable bill, if he the consignee is entitled as against the consignor to dispose of them the goods.

~~(2)~~ (b) Unless such instructions described in subsection (a) of this section are noted on included in a negotiable bill of lading, a person to whom which the bill is duly negotiated can may hold the bailee according to the original terms.

SECTION 19. AMENDATORY 12A O.S. 2001, Section 7-304, is amended to read as follows:

Section 7-304. Bills of Lading in a Set.

~~(1)~~ (a) Except where as customary in overseas international transportation, a tangible bill of lading must may not be issued in a set of parts. The issuer is liable for damages caused by violation of this subsection.

~~(2) Where~~ (b) If a tangible bill of lading is lawfully drawn issued in a set of parts, each of which is numbered has an identification code and is expressed to be valid only if the goods have not been delivered against any other part, the whole of the parts constitute constitutes one bill.

~~(3) Where~~ (c) If a tangible negotiable bill of lading is lawfully issued in a set of parts and different parts are negotiated to different persons, the title of the holder to whom which the first due negotiation is made prevails as to both the document of title and the goods even though if any later holder may have received the goods from the carrier in good faith and discharged the carrier's obligation by surrender of his surrendering its part.

~~(4)~~ (d) A person ~~who~~ that negotiates or transfers a single part of a tangible bill of lading ~~drawn~~ issued in a set is liable to holders of that part as if it were the whole set.

~~(5)~~ (e) The bailee ~~is obliged to~~ shall deliver in accordance with Part 4 of this article against the first presented part of a tangible bill of lading lawfully ~~drawn~~ issued in a set. ~~Such delivery~~ Delivery in this manner discharges the bailee's obligation on the whole bill.

SECTION 20. AMENDATORY 12A O.S. 2001, Section 7-305, is amended to read as follows:

Section 7-305. Destination Bills.

~~(1)~~ (a) Instead of issuing a bill of lading to the consignor at the place of shipment, a carrier ~~may~~, at the request of the consignor, may procure the bill to be issued at destination or at any other place designated in the request.

~~(2)~~ (b) Upon request of ~~anyone~~ a person entitled as against ~~the~~ a carrier to control the goods while in transit and on surrender of possession or control of any outstanding bill of lading or other receipt covering ~~such~~ the goods, the issuer, subject to Section 7-105 of this title, may procure a substitute bill to be issued at any place designated in the request.

SECTION 21. AMENDATORY 12A O.S. 2001, Section 7-307, is amended to read as follows:

Section 7-307. Lien of Carrier.

~~(1)~~ (a) A carrier has a lien on the goods covered by a bill of lading or on the proceeds thereof in its possession for charges subsequent to the date of ~~its~~ the carrier's receipt of the goods for storage or transportation ~~(, including demurrage and terminal charges),~~ and for expenses necessary for preservation of the goods incident to their transportation or reasonably incurred in their sale pursuant to law. ~~But~~ However, against a purchaser for value of a negotiable bill of lading, a carrier's lien is limited to charges stated in the bill or the applicable tariffs, ~~or,~~ if no charges are stated ~~then to,~~ a reasonable charge.

~~(2)~~ (b) A lien for charges and expenses under subsection ~~(1)~~ (a) of this section on goods ~~which~~ that the carrier was required by law to receive for transportation is effective against the consignor or any person entitled to the goods unless the carrier had notice that the consignor lacked authority to subject the goods to ~~such~~ those charges and expenses. Any other lien under subsection ~~(1)~~ (a) of this section is effective against the consignor and any person ~~who~~ that permitted the bailor to have control or possession of the goods unless the carrier had notice that the bailor lacked ~~such~~ authority.

~~(3)~~ (c) A carrier loses ~~his~~ its lien on any goods ~~which he~~ that it voluntarily delivers or ~~which he~~ unjustifiably refuses to deliver.

SECTION 22. AMENDATORY 12A O.S. 2001, Section 7-308, is amended to read as follows:

Section 7-308. Enforcement of Carrier's Lien.

~~(1)~~ (a) A carrier's lien on goods may be enforced by public or private sale of the goods, in ~~blee~~ bulk or in ~~parcels~~ packages, at any time or place and on any terms ~~which that~~ that are commercially reasonable, after notifying all persons known to claim an interest in the goods. ~~Such~~ The notification must include a statement of the amount due, the nature of the proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the carrier is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. ~~If the~~ The carrier ~~either~~ sells goods in a commercially reasonable manner if the carrier sells the goods in the usual manner in any recognized market therefor ~~or if he,~~ sells at the price current in ~~such that~~ that market at the time of ~~his~~ the sale, or ~~if he has~~ otherwise ~~sold~~ sells in conformity with commercially reasonable practices among dealers in the type of goods sold ~~he has sold in a commercially reasonable manner.~~ A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable, except in cases covered by the preceding sentence.

~~(2)~~ (b) Before any sale pursuant to this section, any person claiming a right in the goods may pay the amount necessary to satisfy the lien and the reasonable expenses incurred ~~under~~ in complying with this section. In that event, the goods ~~must~~ may not be sold, but must be retained by the carrier, subject to the terms of the bill of lading and this article.

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

~~(4)~~ (d) A purchaser in good faith of goods sold to enforce a carrier's lien takes the goods free of any rights of persons against ~~whom~~ which the lien was valid, despite the carrier's noncompliance ~~by the carrier with the requirements of this section.~~

~~(5)~~ ~~The~~ (e) A carrier may satisfy ~~his~~ its lien from the proceeds of any sale pursuant to this section but ~~must~~ shall hold the balance, if any, for delivery on demand to any person to ~~whom he~~ which the carrier would have been bound to deliver the goods.

~~(6)~~ (f) The rights provided by this section ~~shall be~~ are in addition to all other rights allowed by law to a creditor against ~~his~~ a debtor.

~~(7)~~ (g) A carrier's lien may be enforced ~~in accordance with~~ pursuant to either subsection ~~(1)~~ (a) of this section or the procedure set forth in subsection ~~(2)~~ (b) of Section 7-210 of this title.

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

SECTION 23. AMENDATORY 12A O.S. 2001, Section 7-309, is amended to read as follows:

Section 7-309. Duty of Care; Contractual Limitation of Carrier's Liability.

~~(1)~~ (a) A carrier ~~who~~ that issues a bill of lading, whether negotiable or nonnegotiable ~~must~~, shall exercise the degree of care in relation to the goods which a reasonably careful ~~man~~ person would exercise under ~~like~~ similar circumstances. This subsection does not ~~repeal or change~~ affect any ~~law~~ statute, regulation, or rule of law ~~which that~~ imposes liability upon a common carrier for damages not caused by its negligence.

~~(2)~~ (b) Damages may be limited by a ~~provision~~ term in the bill of lading or in a transportation agreement that the carrier's liability ~~shall~~ may not exceed a value stated in the ~~document~~ bill or transportation agreement if the carrier's rates are dependent upon value and the consignor ~~by the carrier's tariff~~ is afforded an opportunity to declare a higher value ~~or a value as lawfully provided in the tariff, or where no tariff is filed he and the consignor~~ is ~~otherwise~~ advised of such the opportunity; but no. However, such a limitation is effective with respect to the carrier's liability for conversion to its own use.

~~(3)~~ (c) Reasonable provisions as to the time and manner of presenting claims and ~~instituting~~ commencing actions based on the shipment may be included in a bill of lading or ~~tariff~~ transportation agreement.

SECTION 24. AMENDATORY 12A O.S. 2001, Section 7-401, is amended to read as follows:

Section 7-401. Irregularities in Issue of Receipt or Bill or Conduct of Issuer.

The obligations imposed by this article on an issuer apply to a document of title ~~regardless of the fact that~~ even if:

~~(a)~~ (1) the document ~~may~~ does not comply with the requirements of this article or of any other ~~law~~ statute, rule, or regulation regarding its issue, form or content; ~~or~~

~~(b)~~ (2) the issuer ~~may have~~ violated laws regulating the conduct of ~~his~~ its business; ~~or~~

~~(c)~~ (3) the goods covered by the document were owned by the bailee at the time the document was issued; or

~~(c)~~ (4) the person issuing the document ~~does not come within the definition of warehouseman if it~~ is not a warehouse but the document purports to be a warehouse receipt.

SECTION 25. AMENDATORY 12A O.S. 2001, Section 7-402, is amended to read as follows:

Section 7-402. Duplicate Receipt or Bill; Overissue.

~~Neither a~~ A duplicate ~~nor~~ or any other document of title purporting to cover goods already represented by an outstanding

document of the same issuer ~~confers~~ does not confer any right in the goods, except as provided in the case of tangible bills of lading in a set of parts, overissue of documents for fungible goods and, substitutes for lost, stolen, or destroyed documents, or substitute documents issued pursuant to Section 7-105.1 of this title. ~~But the~~ The issuer is liable for damages caused by his its overissue or failure to identify a duplicate document as such by conspicuous notation on its face.

SECTION 26. AMENDATORY 12A O.S. 2001, Section 7-403, is amended to read as follows:

Section 7-403. Obligation of ~~Warehouseman or Carrier~~ Bailee to Deliver; Excuse.

~~(1) The~~ (a) A bailee must shall deliver the goods to a person entitled under ~~the~~ a document who of title if the person complies with subsections ~~(2)~~ (b) and ~~(3)~~ (c) of this section, unless and to the extent that the bailee establishes any of the following:

~~(a)~~ (1) delivery of the goods to a person whose receipt was rightful as against the claimant;

~~(b)~~ (2) damage to or delay, loss, or destruction of the goods for which the bailee is not liable;

~~(c)~~ (3) previous sale or other disposition of the goods in lawful enforcement of a lien or on ~~warehouseman's~~ warehouse's lawful termination of storage;

~~(d)~~ (4) the exercise by a seller of ~~his its~~ right to stop delivery pursuant to ~~the provisions of the Article on Sales (Section 2-705)~~ of this title or by a lessor of its right to stop delivery pursuant to Section 2A-526 of this title;

~~(e)~~ (5) a diversion, reconsignment or other disposition pursuant to ~~the provisions of this article (Section 7-303) or tariff regulating such right~~ of this title;

~~(f)~~ (6) release, satisfaction or any other ~~fact affording a~~ personal defense against the claimant; or

~~(g)~~ (7) any other lawful excuse.

~~(2)~~ (b) A person claiming goods covered by a document of title ~~must shall~~ satisfy the bailee's lien ~~where~~ if the bailee so requests or ~~where~~ if the bailee is prohibited by law from delivering the goods until the charges are paid.

~~(3)~~ (c) Unless the person claiming the goods is ~~one~~ a person against ~~whom~~ which the document ~~confers no~~ of title does not confer a right under Section 7-503(1), he must subsection (a) of Section 7-503 of this title:

(1) the person claiming under a document shall surrender for cancellation or notation of partial deliveries possession or control of any outstanding negotiable document covering the goods, for cancellation or indication of partial deliveries; and

(2) the bailee must shall cancel the document or conspicuously note indicate in the document the partial delivery thereon or be the bailee is liable to any person to whom which the document is duly negotiated.

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

SECTION 27. AMENDATORY 12A O.S. 2001, Section 7-404, is amended to read as follows:

Section 7-404. No Liability for Good-Faith Delivery Pursuant to ~~Receipt or Bill~~ Document of Title.

A bailee ~~who that~~ in good faith ~~including observance of reasonable commercial standards~~ has received goods and delivered or otherwise disposed of ~~them~~ the goods according to the terms of the document of title or pursuant to this article is not liable therefor. ~~This rule applies even though~~ even if:

(1) the person from whom he which the bailee received the goods had no did not have authority to procure the document or to dispose of the goods and even though; or

(2) the person to whom he which the bailee delivered the goods had no authority to receive them the goods.

SECTION 28. AMENDATORY 12A O.S. 2001, Section 7-501, is amended to read as follows:

Section 7-501. Form of Negotiation and Requirements of "Due Negotiation".

~~(1) A~~ (a) The following rules apply to a negotiable tangible document of title running:

(1) If the document's original terms run to the order of a named person, the document is negotiated by his the named person's endorsement and delivery. After his the named person's endorsement in blank or to bearer, any person can may negotiate it the document by delivery alone.

~~(2) (a) A negotiable document of title is also negotiated by delivery alone when by its~~ If the document's original terms it runs run to bearer, it is negotiated by delivery alone.

~~(b) when a document running~~ (3) If the document's original terms run to the order of a named person and it is delivered to him the named person, the effect is the same as if the document had been negotiated.

~~(3) (4) Negotiation of a negotiable the document of title after it has been endorsed to a specified named person requires endorsement by the special endorsee as well as named person and delivery.~~

~~(4) (5) A negotiable document of title is "duly negotiated" when if it is negotiated in the manner stated in this section~~

subsection to a holder who that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves receiving the document in settlement or payment of a money obligation.

(b) The following rules apply to a negotiable electronic document of title:

(1) If the document's original terms run to the order of a named person or to bearer, the document is negotiated by delivery of the document to another person. Endorsement by the named person is not required to negotiate the document.

(2) If the document's original terms run to the order of a named person and the named person has control of the document, the effect is the same as if the document had been negotiated.

(3) A document is duly negotiated if it is negotiated in the manner stated in this subsection to a holder that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves taking delivery of the document in settlement or payment of a monetary obligation.

~~(5)~~ (c) Endorsement of a nonnegotiable document of title neither makes it negotiable nor adds to the transferee's rights.

~~(6)~~ (d) The naming in a negotiable bill of lading of a person to be notified of the arrival of the goods does not limit the negotiability of the bill nor constitute notice to a purchaser thereof of the bill of any interest of such that person in the goods.

SECTION 29. AMENDATORY 12A O.S. 2001, Section 7-502, is amended to read as follows:

Section 7-502. Rights Acquired by Due Negotiation.

~~(1)~~ (a) Subject to the following section and to the provisions of Section Sections 7-205 on fungible goods and 7-503 of this title, a holder to whom which a negotiable document of title has been duly negotiated acquires thereby:

~~(a)~~ (1) title to the document;

~~(b)~~ (2) title to the goods;

~~(c)~~ (3) all rights accruing under the law of agency or estoppel, including rights to goods delivered to the bailee after the document was issued; and

~~(d)~~ (4) the direct obligation of the issuer to hold or deliver the goods according to the terms of the document free of any defense or claim by him the issuer except those arising under the terms of the document or under this article.—In, but in the case of a delivery order, the bailee's obligation accrues only upon acceptance of the delivery order and the obligation acquired by the holder is

that the issuer and any endorser will procure the acceptance of the bailee.

~~(2)~~ (b) Subject to ~~the following section~~ Section 7-503 of this title, title and rights ~~so~~ acquired by due negotiation are not defeated by any stoppage of the goods represented by the document or by surrender of ~~such~~ the goods by the bailee, and are not impaired even ~~though~~ if:

(1) the due negotiation or any prior due negotiation constituted a breach of duty ~~or even though~~;

(2) any person has been deprived of possession of ~~the~~ a negotiable tangible document or control of a negotiable electronic document by misrepresentation, fraud, accident, mistake, duress, loss, theft or conversion; ~~or even though~~

(3) a previous sale or other transfer of the goods or document has been made to a third person.

SECTION 30. AMENDATORY 12A O.S. 2001, Section 7-503, is amended to read as follows:

Section 7-503. Document of Title to Goods Defeated in Certain Cases.

~~(1)~~ (a) A document of title confers no right in goods against a person ~~who~~ that before issuance of the document had a legal interest or a perfected security interest in ~~them and who neither~~

~~(a) delivered or entrusted them~~ the goods and that did not:

(1) deliver or entrust the goods or any document of title covering ~~them~~ the goods to the bailor or ~~his~~ the bailor's nominee with:

(A) actual or apparent authority to ship, store or sell ~~or with~~;

(B) power to obtain delivery under ~~this article~~ (Section 7-403 of this title); ~~or with~~

(C) power of disposition under ~~this act~~ (~~Sections~~ Section 2-403 and, 2A-304(2), 2A-305(2), 1-9-320, or 1-9-321(c) of this title) ~~or other statute or rule of law; nor~~ or

~~(b) acquiesced~~ (2) acquiesce in the procurement by the bailor or ~~his~~ its nominee of any document ~~of title~~.

~~(2)~~ (b) Title to goods based upon an unaccepted delivery order is subject to the rights of ~~anyone to whom~~ any person to which a negotiable warehouse receipt or bill of lading covering the goods has been duly negotiated. ~~Such a~~ That title may be defeated under ~~the next section~~ Section 7-504 of this title to the same extent as the rights of the issuer or a transferee from the issuer.

~~(3)~~ (c) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of ~~anyone to whom~~ any person to which a bill issued by the freight forwarder is duly

negotiated, ~~but~~. However, delivery by the carrier in accordance with Part 4 of this article pursuant to its own bill of lading discharges the carrier's obligation to deliver.

SECTION 31. AMENDATORY 12A O.S. 2001, Section 7-504, is amended to read as follows:

Section 7-504. Rights Acquired in ~~the~~ Absence of Due Negotiation; Effect of Diversion; ~~Seller's~~ Stoppage of Delivery.

~~(1)~~ (a) A transferee of a document of title, whether negotiable or nonnegotiable, to ~~whom~~ which the document has been delivered but not duly negotiated, acquires the title and rights ~~which his~~ that its transferor had or had actual authority to convey.

~~(2)~~ (b) In the case of a nonnegotiable document of title, until but not after the bailee receives notification of the transfer, the rights of the transferee may be defeated:

~~(a)~~ (1) by those creditors of the transferor who could treat the sale as void under Section 2-402 or 2A-308 of this title; ~~or~~

~~(b)~~ (2) by a buyer from the transferor in ordinary course of business if the bailee has delivered the goods to the buyer or received notification of ~~his~~ buyer's rights; ~~or~~

~~(c)~~ (3) by a lessee from the transferor in ordinary course of business if the bailee has delivered the goods to the lessee or received notification of the lessee's rights; or

(4) as against the bailee, by good faith dealings of the bailee with the transferor.

~~(3)~~ (c) A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which causes the bailee not to deliver to the consignee defeats the consignee's title to the goods if ~~they~~ the goods have been delivered to a buyer in ordinary course of business or a lessee in ordinary course of business and, in any event, defeats the consignee's rights against the bailee.

~~(4)~~ (d) Delivery pursuant to a nonnegotiable document of title may be stopped by a seller under Section 2-705, ~~and~~ of this title or a lessor under Section 2A-526 of this title, subject to the requirement of due notification, ~~there provided~~ in those sections. A bailee ~~honoring~~ that honors the seller's or lessor's instructions is entitled to be indemnified by the seller or lessor against any resulting loss or expense.

SECTION 32. AMENDATORY 12A O.S. 2001, Section 7-505, is amended to read as follows:

Section 7-505. Endorser Not a Guarantor For Other Parties.

The endorsement of a tangible document of title issued by a bailee does not make the endorser liable for any default by the bailee or by previous endorsers.

SECTION 33. AMENDATORY 12A O.S. 2001, Section 7-506, is amended to read as follows:

Section 7-506. Delivery Without Endorsement: Right to Compel Endorsement.

The transferee of a negotiable tangible document of title has a specifically enforceable right to have ~~his~~ its transferor supply any necessary endorsement but the transfer becomes a negotiation only as of the time the endorsement is supplied.

SECTION 34. AMENDATORY 12A O.S. 2001, Section 7-507, is amended to read as follows:

Section 7-507. Warranties on Negotiation or Transfer of Receipt or Bill.

~~Where~~ If a person negotiates or transfers a document of title for value, otherwise than as a mere intermediary under ~~the next following section, then~~ Section 7-508 of this title, unless otherwise agreed ~~he,~~ the transferor, in addition to any warranty made in selling or leasing the goods, warrants to ~~his~~ its immediate purchaser only ~~in addition to any warranty made in selling the goods~~

~~(a)~~ that:

(1) the document is genuine; ~~and~~

~~(b) that he has no~~ (2) the transferor does not have knowledge of any fact ~~which~~ that would impair ~~its~~ the document's validity or worth; and

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

SECTION 35. AMENDATORY 12A O.S. 2001, Section 7-508, is amended to read as follows:

Section 7-508. Warranties of Collecting Bank as to Documents of Title.

A collecting bank or other intermediary known to be entrusted with documents of title on behalf of another or with collection of a draft or other claim against delivery of documents warrants by ~~such~~ the delivery of the documents only its own good faith and authority. ~~This rule applies even though~~ if the collecting bank or other intermediary has purchased or made advances against the claim or draft to be collected.

SECTION 36. AMENDATORY 12A O.S. 2001, Section 7-509, is amended to read as follows:

Section 7-509. ~~Receipt or Bill: When~~ Adequate Compliance With Commercial Contract.

~~The question whether~~ Whether a document is adequate to fulfill the obligations of a contract for sale, a contract for lease, or the conditions of a letter of credit is ~~governed~~ determined by ~~the Articles on Sales (Article 2) and on Letters of Credit (Article, 2A, or 5).~~

SECTION 37. AMENDATORY 12A O.S. 2001, Section 7-601, is amended to read as follows:

Section 7-601. Lost and Missing, Stolen, or Destroyed Documents of Title.

~~(1)~~ (a) If a document has been lost, stolen, or destroyed, a court may order delivery of the goods or issuance of a substitute document and the bailee may without liability to any person comply with ~~such the~~ order. ~~If the document was negotiable the claimant must post security approved by the court to indemnify, a court may not order delivery of the goods or issuance of a substitute document without the claimant's posting security unless it finds that any person who that may suffer loss as a result of nonsurrender of possession or control of the document is adequately protected against the loss. If the document was not negotiable, such the court may require security may be required at the discretion of the court.~~ The court may also ~~in its discretion~~ order payment of the bailee's reasonable costs and ~~counsel~~ attorney fees in any action under this section.

~~(2)~~ (b) A bailee ~~who that,~~ without court order, delivers goods to a person claiming under a missing negotiable document of title is liable to any person injured thereby, ~~and if.~~ If the delivery is not in good faith becomes, the bailee is liable for conversion. Delivery in good faith is not conversion if made in accordance with a filed classification or tariff or, where no classification or tariff is filed, if the claimant posts security with the bailee in an amount at least double the value of the goods at the time of posting to indemnify any person injured by the delivery ~~who which~~ files a notice of claim within one (1) year after the delivery.

SECTION 38. AMENDATORY 12A O.S. 2001, Section 7-602, is amended to read as follows:

Section 7-602. Attachment of Judicial Process Against Goods Covered by a Negotiable Document of Title.

~~Except where the~~ Unless a document of title was originally issued upon delivery of the goods by a person ~~who had no that did not have power to dispose of them, no a lien attaches does not attach~~ by virtue of any judicial process to goods in the possession of a bailee for which a negotiable document of title is outstanding unless possession or control of the document be is first surrendered to the bailee or ~~its the document's negotiation enjoined, and the.~~ The bailee shall may not be compelled to deliver the goods pursuant to process until possession or control of the document is surrendered to him or impounded by the bailee or to the court. ~~One who purchases~~ A purchaser of the document for value without notice of the process or injunction takes free of the lien imposed by judicial process.

SECTION 39. AMENDATORY 12A O.S. 2001, Section 7-603, is amended to read as follows:

Section 7-603. Conflicting Claims; Interpleader.

~~(1)~~ If more than one person claims title or possession of the goods, the bailee is excused from delivery until ~~he~~ the bailee has ~~had~~ a reasonable time to ascertain the validity of the adverse

claims or to ~~bring~~ commence an action to ~~compel all claimants to interplead and may compel such for interpleader~~. The bailee may assert an interpleader either in defending an action for nondelivery of the goods, or by original action, ~~whichever is appropriate.~~

~~(2) It is not ground for objection to interpleader that the claims of the several claimants or the title on which their claims depend do not have a common origin or are not identical but are adverse to and independent of one another, or that the bailee avers that he is not liable in whole or in part to any or all of the claimants, or that he may be liable on an independent theory to one of the claimants.~~

SECTION 40. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 7-703 of Title 12A, unless there is created a duplication in numbering, reads as follows:

Applicability.

This article applies to a document of title that is issued or a bailment that arises on or after January 1, 2006. This article does not apply to a document of title that is issued or a bailment that arises before January 1, 2006, even if the document of title or bailment would be subject to this article if the document of title had been issued or bailment had arisen on or after January 1, 2006. This article does not apply to a right of action that has accrued before January 1, 2006.

SECTION 41. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 7-704 of Title 12A, unless there is created a duplication in numbering, reads as follows:

Savings Clause.

A document of title issued or a bailment that arises before January 1, 2006, and the rights, obligations, and interests flowing from that document or bailment are governed by any statute or other rule amended or repealed by this act as if amendment or repeal had not occurred and may be terminated, completed, consummated, or enforced under that statute or other rule.

SECTION 42. AMENDATORY 12A O.S. 2001, Section 2-103, is amended to read as follows:

Section 2-103. Definitions and Index of Definitions.

(1) In this article unless the context otherwise requires:

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

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

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

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

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

- "Acceptance". Section 2-606 of this title.
- "Banker's credit". Section 2-325 of this title.
- "Between merchants". Section 2-104 of this title.
- "Cancellation". Section 2-106(4) of this title.
- "Commercial unit". Section 2-105 of this title.
- "Confirmed credit". Section 2-325 of this title.
- "Conforming to contract". Section 2-106 of this title.
- "Contract for sale". Section 2-106 of this title.
- "Cover". Section 2-712 of this title.
- "Entrusting". Section 2-403 of this title.
- "Financing agency". Section 2-104 of this title.
- "Future goods". Section 2-105 of this title.
- "Goods". Section 2-105 of this title.
- "Identification". Section 2-501 of this title.
- "Installment contract". Section 2-612 of this title.
- "Letter of credit". Section 2-325 of this title.
- "Lot". Section 2-105 of this title.
- "Merchant". Section 2-104 of this title.
- "Overseas". Section 2-323 of this title.
- "Person in position of seller". Section 2-707 of this title.
- "Present sale". Section 2-106 of this title.
- "Sale". Section 2-106 of this title.
- "Sale on approval". Section 2-326 of this title.
- "Sale or return". Section 2-326 of this title.
- "Termination". Section 2-106 of this title.

(3) The "Control" as provided in Section 7-106 of this title and the following definitions in other articles apply to this article:

- "Check". Section 3-104 of this title.
- "Consignee". Section 7-102 of this title.

"Consignor". Section 7-102 of this title.

"Consumer goods". Section ~~9-102~~ 1-9-102 of this title.

"Dishonor". Section 3-502 of this title.

"Draft". Section 3-104 of this title.

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

SECTION 43. AMENDATORY 12A O.S. 2001, Section 2-104, is amended to read as follows:

Section 2-104. Definitions: "Merchant"; "Between Merchants"; "Financing Agency".

(1) "Merchant" means a person who deals in goods of the kind or otherwise by his occupation holds himself out as having knowledge or skill peculiar to the practices or goods involved in the transaction or to whom such knowledge or skill may be attributed by his employment of an agent or broker or other intermediary who by his occupation holds himself out as having such knowledge or skill.

(2) "Financing agency" means a bank, finance company or other person who in the ordinary course of business makes advances against goods or documents of title or who by arrangement with either the seller or the buyer intervenes in ordinary course to make or collect payment due or claimed under the contract for sale, as by purchasing or paying the seller's draft or making advances against it or by merely taking it for collection whether or not documents of title accompany or are associated with the draft. "Financing agency" includes also a bank or other person who similarly intervenes between persons who are in the position of seller and buyer in respect to the goods (Section 2-707).

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

SECTION 44. AMENDATORY 12A O.S. 2001, Section 2-310, is amended to read as follows:

Section 2-310. Open Time for Payment or Running of Credit; Authority to Ship Under Reservation.

Unless otherwise agreed:

(a) payment is due at the time and place at which the buyer is to receive the goods even though the place of shipment is the place of delivery; and

(b) if the seller is authorized to send the goods he may ship them under reservation, and may tender the documents of title, but the buyer may inspect the goods after their arrival before payment is due unless such inspection is inconsistent with the terms of the contract (Section 2-513); and

(c) if delivery is authorized and made by way of documents of title otherwise than by subsection (b) then payment is due regardless of where the goods are to be received (i) at the time and place at which the buyer is to receive delivery of the tangible documents ~~regardless of where the goods are to be received~~ or (ii) at the time the buyer is to receive delivery of the electronic documents and at the seller's place of business or if none, the seller's residence; and

(d) where the seller is required or authorized to ship the goods on credit the credit period runs from the time of shipment but post-dating the invoice or delaying its dispatch will correspondingly delay the starting of the credit period.

SECTION 45. AMENDATORY 12A O.S. 2001, Section 2-323, is amended to read as follows:

Section 2-323. Form of Bill of Lading Required in Overseas Shipment; "Overseas".

(1) Where the contract contemplates overseas shipment and contains a term C.I.F. or C. and F. or F.O.B. vessel, the seller unless otherwise agreed must obtain a negotiable bill of lading stating that the goods have been loaded on board or, in the case of a term C.I.F. or C. and F., received for shipment.

(2) Where in a case within subsection (1) a tangible bill of lading has been issued in a set of parts, unless otherwise agreed if the documents are not to be sent from abroad the buyer may demand tender of the full set; otherwise only one part of the bill of lading need be tendered. Even if the agreement expressly requires a full set.

(a) due tender of a single part is acceptable within the provisions of this article on cure of improper delivery (subsection (1) of Section 2-508); and

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

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

SECTION 46. AMENDATORY 12A O.S. 2001, Section 2-401, is amended to read as follows:

Section 2-401. Passing of Title; Reservation for Security; Limited Application of this Section.

Each provision of this article with regard to the rights, obligations and remedies of the seller, the buyer, purchasers or other third parties applies irrespective of title to the goods except where the provision refers to such title. Insofar as situations are not covered by the other provisions of this article and matters concerning title become material the following rules apply:

(1) Title to goods cannot pass under a contract for sale prior to their identification to the contract (Section 2-501), and unless otherwise explicitly agreed the buyer acquires by their identification a special property as limited by this act. Any retention or reservation by the seller of the title (property) in goods shipped or delivered to the buyer is limited in effect to a reservation of a security interest. Subject to these provisions and to the provisions of the article on Secured Transactions (Article 9), title to goods passes from the seller to the buyer in any manner and on any conditions explicitly agreed on by the parties.

(2) Unless otherwise explicitly agreed title passes to the buyer at the time and place at which the seller completes his performance with reference to the physical delivery of the goods, despite any reservation of a security interest and even though a document of title is to be delivered at a different time or place; and in particular and despite any reservation of a security interest by the bill of lading:

(a) if the contract requires or authorizes the seller to send the goods to the buyer but does not require him to deliver them at destination, title passes to the buyer at the time and place of shipment; but

(b) if the contract requires delivery at destination, title passes on tender there.

(3) Unless otherwise explicitly agreed where delivery is to be made without moving the goods,

(a) if the seller is to deliver a tangible document of title, title passes at the time when and the place where he delivers such documents and if the seller is to deliver an electronic document of title, title passes when the seller delivers the document; or

(b) if the goods are at the time of contracting already identified and no documents are to be delivered, title passes at the time and place of contracting.

(4) A rejection or other refusal by the buyer to receive or retain the goods, whether or not justified, or a justified revocation of acceptance revests title to the goods in the seller. Such revesting occurs by operation of law and is not a "sale".

SECTION 47. AMENDATORY 12A O.S. 2001, Section 2-503, is amended to read as follows:

Section 2-503. Manner of Seller's Tender of Delivery.

(1) Tender of delivery requires that the seller put and hold conforming goods at the buyer's disposition and give the buyer any notification reasonably necessary to enable him to take delivery. The manner, time and place for tender are determined by the agreement and this article, and in particular:

(a) tender must be at a reasonable hour, and if it is of goods they must be kept available for the period reasonably necessary to enable the buyer to take possession; but

(b) unless otherwise agreed the buyer must furnish facilities reasonably suited to the receipt of the goods.

(2) Where the case is within the next section respecting shipment tender requires that the seller comply with its provisions.

(3) Where the seller is required to deliver at a particular destination tender requires that he comply with subsection (1) and also in any appropriate case tender documents as described in subsections (4) and (5) of this section.

(4) Where goods are in the possession of a bailee and are to be delivered without being moved.

(a) tender requires that the seller either tender a negotiable document of title covering such goods or procure acknowledgment by the bailee of the buyer's right to possession of the goods; but

(b) tender to the buyer of a nonnegotiable document of title or of a written direction to the bailee to deliver is sufficient tender unless the buyer seasonably objects, and receipt by the bailee of notification of the buyer's rights fixes those rights as against the bailee and all third persons; but risk of loss of the goods and of any failure by the bailee to honor the nonnegotiable document of title or to obey the direction remains on the seller until the buyer has had a reasonable time to present the document or direction, and a refusal by the bailee to honor the document or to obey the direction defeats the tender.

(5) Where the contract requires the seller to deliver documents

(a) he must tender all such documents in correct form, except as provided in this article with respect to bills of lading in a set (subsection (2) of Section 2-323); and

(b) tender through customary banking channels is sufficient and dishonor of a draft accompanying or associated with the documents constitutes nonacceptance or rejection.

SECTION 48. AMENDATORY 12A O.S. 2001, Section 2-505, is amended to read as follows:

Section 2-505. Seller's Shipment Under Reservation.

(1) Where the seller has identified goods to the contract by or before shipment:

(a) his procurement of a negotiable bill of lading to his own order or otherwise reserves in him a security interest in the goods. His procurement of the bill to the order of a financing agency or of the buyer indicates in addition only the seller's expectation of transferring that interest to the person named.

(b) a nonnegotiable bill of lading to himself or his nominee reserves possession of the goods as security but except in a case of conditional delivery (subsection (2) of Section 2-507) a nonnegotiable bill of lading naming the buyer as consignee reserves no security interest even though the seller retains possession or control of the bill of lading.

(2) When shipment by the seller with reservation of a security interest is in violation of the contract for sale it constitutes an improper contract for transportation within the preceding section but impairs neither the rights given to the buyer by shipment and identification of the goods to the contract nor the seller's powers as a holder of a negotiable document of title.

SECTION 49. AMENDATORY 12A O.S. 2001, Section 2-506, is amended to read as follows:

Section 2-506. Rights of Financing Agency.

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

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

SECTION 50. AMENDATORY 12A O.S. 2001, Section 2-509, is amended to read as follows:

Section 2-509. Risk of Loss in the Absence of Breach.

(1) Where the contract requires or authorizes the seller to ship the goods by carrier:

(a) if it does not require him to deliver them at a particular destination, the risk of loss passes to the buyer when the goods are duly delivered to the carrier even though the shipment is under reservation (Section 2-505); but

(b) if it does require him to deliver them at a particular destination and the goods are there duly tendered while in the possession of the carrier, the risk of loss passes to the buyer when the goods are there duly so tendered as to enable the buyer to take delivery.

(2) Where the goods are held by a bailee to be delivered without being moved, the risk of loss passes to the buyer:

(a) on his receipt of a negotiable document of title covering the goods; or

(b) on acknowledgment by the bailee of the buyer's right to possession of the goods; or

(c) after his receipt of possession or control of a nonnegotiable document of title or other ~~written~~ direction to deliver in a record, as provided in subsection (4) (b) of Section 2-503.

(3) In any case not within subsection (1) or (2), the risk of loss passes to the buyer on his receipt of the goods if the seller

is a merchant; otherwise the risk passes to the buyer on tender of delivery.

(4) The provisions of this section are subject to contrary agreement of the parties and to the provisions of this article on sale on approval (Section 2-327) and on effect of breach on risk of loss (Section 2-510).

SECTION 51. AMENDATORY 12A O.S. 2001, Section 2-605, is amended to read as follows:

Section 2-605. Waiver of Buyer's Objections by Failure to Particularize.

(1) The buyer's failure to state in connection with rejection a particular defect which is ascertainable by reasonable inspection precludes him from relying on the unstated defect to justify rejection or to establish breach:

(a) where the seller could have cured it if stated seasonably; or

(b) between merchants when the seller has after rejection made a request in writing for a full and final written statement of all defects on which the buyer proposes to rely.

(2) Payment against documents made without reservation of rights precludes recovery of the payment for defects apparent ~~on the face of~~ in the documents.

SECTION 52. AMENDATORY 12A O.S. 2001, Section 2-705, is amended to read as follows:

Section 2-705. Seller's Stoppage of Delivery in Transit or Otherwise.

(1) The seller may stop delivery of goods in the possession of a carrier or other bailee when he discovers the buyer to be insolvent (Section 2-702) and may stop delivery of carload, truckload, planeload or larger shipments of express or freight when the buyer repudiates or fails to make a payment due before delivery or if for any other reason the seller has a right to withhold or reclaim the goods.

(2) As against such buyer the seller may stop delivery until

(a) receipt of the goods by the buyer; or

(b) acknowledgement to the buyer by any bailee of the goods except a carrier that the bailee holds the goods for the buyer; or

(c) such acknowledgment to the buyer by a carrier by reshipment or as ~~warehouseman~~ a warehouse; or

(d) negotiation to the buyer of any negotiable document of title covering the goods.

(3) (a) To stop delivery the seller must so notify as to enable the bailee by reasonable diligence to prevent delivery of the goods.

(b) After such notification the bailee must hold and deliver the goods according to the directions of the seller but the seller is liable to the bailee for any ensuing charges or damages.

(c) If a negotiable document of title has been issued for goods the bailee is not obliged to obey a notification to stop until surrender of possession or control of the document.

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

SECTION 53. AMENDATORY 12A O.S. 2001, Section 2A-103, is amended to read as follows:

Section 2A-103.

DEFINITIONS AND INDEX OF DEFINITIONS

(1) In this article unless the context otherwise requires:

(a) "Buyer in the ordinary course of business" means a person who in good faith and without knowledge that the sale to him is in violation of the ownership rights or security interest or leasehold interest of a third party in the goods, buys in the ordinary course from a person in the business of selling goods of that kind but does not include a pawnbroker. "Buying" may be for cash or by exchange of other property or on secured or unsecured credit and includes receiving acquiring goods or documents of title under a preexisting contract for sale but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

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

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

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

(e) "Consumer lease" means a lease that a lessor regularly engaged in the business of leasing or selling makes to a lessee who is an individual and who takes under the lease primarily for a personal, family, or household purpose, if the total payments to be made under the lease contract, excluding payments for options to renew or buy, do not exceed Forty-five Thousand Dollars (\$45,000.00).

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

(g) "Finance lease" means a lease with respect to which:

- (i) the lessor does not select, manufacture or supply the goods;
- (ii) the lessor acquires the goods or the right to possession and use of the goods in connection with the lease; and
- (iii) one of the following occurs:
 - (A) the lessee receives a copy of the contract by which the lessor acquired the goods or the right to possession and use of the goods before signing the lease contract;
 - (B) the lessee's approval of the contract by which the lessor acquired the goods or the right to possession and use of the goods is a condition to effectiveness of the lease contract;
 - (C) the lessee, before signing the lease contract, receives an accurate and complete statement designating the promises and warranties, and any disclaimers of warranties, limitations or modifications of remedies, or liquidated damages, including those of a third party, such as the manufacturer of the goods, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods; or
 - (D) if the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing (a) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person, (b) that the lessee is entitled under this article to the promises and warranties, including those of any third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods, and (c) that the lessee may communicate with the person supplying the goods to the lessor and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

(h) "Goods" means all things that are movable at the time of identification to the lease contract, or are fixtures (Section 2A-309 of this title), but the term does not include money, documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like, including oil and gas, before extraction. The term also includes the unborn young of animals.

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

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

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

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

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

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

(o) "Lessee in the ordinary course of business" means a person who in good faith and without knowledge that the lease to him is in violation of the ownership rights or security interest or leasehold interest of a third party in the goods leases in the ordinary course from a person in the business of selling or leasing goods of that kind but does not include a pawnbroker. "Leasing" may be for cash or by exchange of other property or on secured or unsecured credit and includes ~~receiving~~ acquiring goods or documents of title under a preexisting lease contract but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

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

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

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

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

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

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

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

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

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

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

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

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

"Accessions". Subsection (1) of Section 2A-310 of this title.

"Construction mortgage". Paragraph (d) of subsection (1) of Section 2A-309 of this title.

"Encumbrance". Paragraph (e) of subsection (1) of Section 2A-309 of this title.

"Fixtures". Paragraph (a) of subsection (1) of Section 2A-309 of this title.

"Fixture filing". Paragraph (b) of subsection (1) of Section 2A-309 of this title.

"Purchase money lease". Paragraph (c) of subsection (1) of Section 2A-309 of this title.

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

"Account". Paragraph (2) of subsection (a) of Section 1-9-102 of this title.

"Between merchants". Subsection (3) of Section 2-104 of this title.

"Buyer". Paragraph (a) of subsection (1) of Section 2-103 of this title.

"Chattel paper". Paragraph (11) of subsection (a) of Section 1-9-102 of this title.

"Consumer goods". Paragraph (23) of subsection (a) of Section 1-9-102 of this title.

"Document". Paragraph (30) of subsection (a) of Section 1-9-102 of this title.

"Entrusting". Paragraph (3) of Section 2-403 of this title.

"General intangible". Paragraph (42) of subsection (a) of Section 1-9-102 of this title.

"Good faith". Paragraph (b) of subsection (1) of Section 2-103 of this title.

"Instrument". Paragraph (47) of subsection (a) of Section 1-9-102 of this title.

"Merchant". Subsection (1) of Section 2-104 of this title.

"Mortgage". Paragraph (55) of subsection (a) of Section 1-9-102 of this title.

"Pursuant to commitment". Paragraph (68) of subsection (a) of Section 1-9-102 of this title.

"Receipt". Subsection (c) of paragraph (1) of Section 2-103 of this title.

"Sale". Paragraph (1) of Section 2-106 of this title.

"Sale on approval". Section 2-326 of this title.

"Sale or return". Section 2-326 of this title.

"Seller". Subparagraph (d) of paragraph (1) of Section 2-103 of this title.

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

SECTION 54. AMENDATORY 12A O.S. 2001, Section 2A-514, is amended to read as follows:

Section 2A-514.

WAIVER OF LESSEE'S OBJECTIONS

(1) In rejecting goods, a lessee's failure to state a particular defect that is ascertainable by reasonable inspection precludes the lessee from relying on the defect to justify rejection or to establish default:

(a) if, stated seasonably, the lessor or the supplier could have cured it (Section ~~60~~ 2A-213 of this ~~act~~ title); or

(b) between merchants if the lessor or the supplier after rejection has made a request in writing for a full and final written statement of all defects on which the lessee proposes to rely.

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

SECTION 55. AMENDATORY 2A O.S. 2001, Section 2A-526, is amended to read as follows:

Section 2A-526.

LESSOR'S STOPPAGE OF DELIVERY IN TRANSIT OR OTHERWISE

(1) A lessor may stop delivery of goods in the possession of a carrier or other bailee if the lessor discovers the lessee to be insolvent and may stop delivery of carload, truckload, planeload, or larger shipments of express or freight if the lessee repudiates or fails to make a payment due before delivery, whether for rent, security or otherwise under the lease contract, or for any other reason the lessor has a right to withhold or take possession of the goods.

(2) In pursuing its remedies under subsection (1) of this section, the lessor may stop delivery until:

(a) receipt of the goods by the lessee;

(b) acknowledgement to the lessee by any bailee of the goods, except a carrier, that the bailee holds the goods for the lessee; or

(c) such an acknowledgment to the lessee by a carrier via reshipment or as ~~warehouseman~~ a warehouse.

(3) (a) To stop delivery, a lessor shall so notify as to enable the bailee by reasonable diligence to prevent delivery of the goods.

(b) After notification, the bailee shall hold and deliver the goods according to the directions of the lessor, but the lessor is liable to the bailee for any ensuing charges or damages.

(c) A carrier who has issued a nonnegotiable bill of lading is not obligated to obey a notification to stop received from a person other than the consignor.

SECTION 56. AMENDATORY 12A O.S. 2001, Section 4-104, is amended to read as follows:

Section 4-104.

DEFINITIONS AND INDEX OF DEFINITIONS

(a) In this article unless the context otherwise requires:

(1) "Account" means any deposit or credit account with a bank, including a demand, time, savings, passbook, share draft, or like account, other than an account evidenced by a certificate of deposit;

(2) "Afternoon" means the period of a day between noon and midnight;

(3) "Banking day" means the part of a day on which a bank is open to the public for carrying on substantially all of its banking functions;

(4) "Clearing house" means an association of banks or other payors regularly clearing items;

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

(6) "Documentary draft" means a draft to be presented for acceptance or payment if specified documents, certified securities (Section 8-102 of this title) or instructions for uncertificated securities (Section 8-102 of this title) or other certificates, statements, or the like are to be received by the drawee or other payor before acceptance or payment of the draft;

(7) "Draft" means a draft as defined in Section 3-104 of this title or an item, other than an instrument, that is an order;

(8) "Drawee" means a person ordered in a draft to make payment;

(9) "Item" means an instrument or a promise or order to pay money handled by a bank for collection or payment. The term does not include a payment order governed by Article 4A of this title or a credit or debit card slip;

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

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

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

(b) Other definitions applying to this article and the sections of this title in which they appear are:

"Agreement for electronic presentment" Section 4-110.

"Bank" Section 4-105.

"Collecting bank" Section 4-105.

"Depositary bank" Section 4-105.

"Intermediary bank" Section 4-105.

"Payor bank" Section 4-105.

"Presenting bank" Section 4-105.

"Presentment Notice" Section 4-110.

(c) The "Control" as provided in Section 7-106 of this title and the following definitions in other articles of this title apply to this article:

"Acceptance" Section 3-409.

"Alteration" Section 3-407.

"Cashier's check" Section 3-104.

"Certificate of deposit" Section 3-104.

"Certified check" Section 3-409.

"Check" Section 3-104.

"Draft" Section 3-104.

"Good faith" Section 3-103.

"Holder in due course" Section 3-302.

"Instrument" Section 3-104.

"Notice of dishonor" Section 3-503.

"Order" Section 3-103.

"Ordinary care" Section 3-103.

"Person entitled to enforce" Section 3-301.

"Presentment" Section 3-501.

"Promise" Section 3-103.

"Prove" Section 3-103.

"Teller's check" Section 3-104.

"Unauthorized signature" Section 3-403.

(d) In addition, Article 1 of this title contains general definitions and principles of construction and interpretation applicable throughout this article.

SECTION 57. AMENDATORY 12A O.S. 2001, Section 4-210, is amended to read as follows:

Section 4-210.

SECURITY INTEREST OF COLLECTING BANK IN ITEMS,

ACCOMPANYING DOCUMENTS AND PROCEEDS

(a) A collecting bank has a security interest in an item and any accompanying documents or the proceeds of either:

(1) In case of an item deposited in an account, to the extent to which credit given for the item has been withdrawn or applied;

(2) In case of an item for which it has given credit available for withdrawal as of right, to the extent of the credit given, whether or not the credit is drawn upon or there is a right of charge-back; or

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

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

(c) Receipt by a collecting bank of a final settlement for an item is a realization on its security interest in the item, accompanying documents, and proceeds. So long as the bank does not receive final settlement for the item or give up possession of the item or possession or control of the accompanying documents for purposes other than collection, the security interest continues to that extent and is subject to Article 9 of this title, but:

(1) No security agreement is necessary to make the security interest enforceable (subparagraph (A) of paragraph (3) of subsection (b) of Section 1-9-203 of this title);

(2) No filing is required to perfect the security interest; and

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

SECTION 58. AMENDATORY 12A O.S. 2001, Section 8-103, is amended to read as follows:

Section 8-103. Rules for Determining Whether Certain Obligations and Interests Are Securities or Financial Assets.

(a) A share or similar equity interest issued by a corporation, business trust, joint stock company, or similar entity is a security.

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

(c) An interest in a partnership or limited liability company is not a security unless it is dealt in or traded on securities exchanges or in securities markets, its terms expressly provide that

it is a security governed by this article, or it is an investment company security. However, an interest in a partnership or limited liability company is a financial asset if it is held in a securities account.

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

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

(f) A commodity contract, as defined in paragraph (15) of subsection (a) of Section 1-9-102 of this title, is not a security or a financial asset.

(g) A document of title is not a financial asset unless subparagraph (iii) of paragraph (9) of subsection (a) of Section 8-102 of this title applies.

SECTION 59. AMENDATORY 12A O.S. 2001, Section 1-9-102, as amended by Section 1, Chapter 153, O.S.L. 2004 (12A O.S. Supp. 2004, Section 1-9-102), is amended to read as follows:

Section 1-9-102.

DEFINITIONS AND INDEX OF DEFINITIONS

(a) In this article:

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

(2) (A) "Account", except as used in "account for", means a right to payment of a monetary obligation, whether or not earned by performance:

- (i) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of;
- (ii) for services rendered or to be rendered;
- (iii) for a policy of insurance issued or to be issued;
- (iv) for a secondary obligation incurred or to be incurred;
- (v) for energy provided or to be provided;
- (vi) for the use or hire of a vessel under a charter or other contract;
- (vii) arising out of the use of a credit or charge card or information contained on or for use with the card; or

(viii) as winnings in a lottery or other game of chance operated or sponsored by a state, governmental unit of a state, or a person licensed or authorized to operate the game by a state or governmental unit of a state.

(B) The term includes health-care-insurance receivables.

(C) The term does not include:

(i) rights to payment evidenced by chattel paper or an instrument;

(ii) commercial tort claims;

(iii) deposit accounts;

(iv) investment property;

(v) letter-of-credit rights or letters of credit; or

(vi) rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or charge card or information contained on or for use with the card.

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

(4) "Accounting", except as used in "accounting for", means a record:

(A) authenticated by a secured party;

(B) indicating the aggregate unpaid secured obligations as of a date not more than thirty-five (35) days earlier or thirty-five (35) days later than the date of the record; and

(C) identifying the components of the obligations in reasonable detail.

(5) "Agricultural lien" means an interest in farm products:

(A) which secures payment or performance of an obligation for:

(i) goods or services furnished in connection with a debtor's farming operation; or

(ii) rent on real property leased by a debtor in connection with its farming operation;

(B) which is created by statute in favor of a person that:

(i) in the ordinary course of its business furnished goods or services to a debtor in connection with a debtor's farming operation; or

(ii) leased real property to a debtor in connection with the debtor's farming operation; and

(C) whose effectiveness does not depend on the person's possession of the personal property.

(6) "As-extracted collateral" means:

(A) oil, gas, or other minerals that are subject to a security interest that:

(i) is created by a debtor having an interest in the minerals before extraction; and

(ii) attaches to the minerals as extracted; or

(B) accounts arising out of the sale at the wellhead or minehead of oil, gas, or other minerals in which the debtor had an interest before extraction.

(7) "Authenticate" means:

(A) to sign; or

(B) to execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole or in part, with the present intent of the authenticating person to identify the person and adopt or accept a record.

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

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

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

(11) "Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. In this paragraph, "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of goods and includes a monetary obligation with respect to software used in the goods. The term does not include charters or other contracts involving the use or hire of a vessel. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

(12) "Collateral" means the property subject to a security interest or agricultural lien. The term includes:

- (A) proceeds to which a security interest attaches;
- (B) accounts, chattel paper, payment intangibles, and promissory notes that have been sold; and
- (C) goods that are the subject of a consignment.

(13) "Commercial tort claim" means a claim arising in tort with respect to which:

- (A) the claimant is an organization; or
- (B) the claimant is an individual and the claim:
 - (i) arose in the course of the claimant's business or profession; and
 - (ii) does not include damages arising out of personal injury to or the death of an individual.

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

(15) "Commodity contract" means a commodity futures contract, an option on a commodity futures contract, a commodity option, or another contract if the contract or option is:

- (A) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to federal commodities laws; or
- (B) traded on a foreign commodity board of trade, exchange, or market, and is carried on the books of a commodity intermediary for a commodity customer.

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

(17) "Commodity intermediary" means a person that:

- (A) is registered as a futures commission merchant under federal commodities law; or
- (B) in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities law.

(18) "Communicate" means:

- (A) to send a written or other tangible record;
- (B) to transmit a record by any means agreed upon by the persons sending and receiving the record; or

(C) in the case of transmission of a record to or by a filing office, to transmit a record by any means prescribed by filing-office rule.

(19) "Consignee" means a merchant to which goods are delivered in a consignment.

(20) "Consignment" means a transaction, regardless of its form, in which a person delivers goods to a merchant for the purpose of sale and:

(A) the merchant:

(i) deals in goods of that kind under a name other than the name of the person making delivery;

(ii) is not an auctioneer; and

(iii) is not generally known by its creditors to be substantially engaged in selling the goods of others;

(B) with respect to each delivery, the aggregate value of the goods is One Thousand Dollars (\$1,000.00) or more at the time of delivery;

(C) the goods are not consumer goods immediately before delivery; and

(D) the transaction does not create a security interest that secures an obligation.

(21) "Consignor" means a person that delivers goods to a consignee in a consignment.

(22) "Consumer debtor" means a debtor in a consumer transaction.

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

(24) "Consumer-goods transaction" means a consumer transaction in which:

(A) an individual incurs an obligation primarily for personal, family, or household purposes; and

(B) a security interest in consumer goods secures the obligation.

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

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

(27) "Continuation statement" means an amendment of a financing statement which:

- (A) identifies, by its file number, the initial financing statement to which it relates; and
- (B) indicates that it is a continuation statement for, or that it is filed to continue the effectiveness of, the identified financing statement.

(28) "Debtor" means:

- (A) a person having an interest, other than a security interest or other lien, in the collateral, whether or not the person is an obligor;
- (B) a seller of accounts, chattel paper, payment intangibles, or promissory notes; or
- (C) a consignee.

(29) "Deposit account" means a demand, time, savings, passbook, or similar account maintained with a bank as defined in paragraph (8) of this subsection. The term does not include investment property or a deposit account evidenced by an instrument.

(30) "Document" means a document of title or a receipt of the type described in ~~paragraph (2)~~ subsection (b) of Section 7-201 of this title.

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

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

(33) "Equipment" means goods other than inventory, farm products, or consumer goods.

(34) "Farm products" means goods, other than standing timber, with respect to which the debtor is engaged in a farming operation and which are:

- (A) crops grown, growing, or to be grown, including:
 - (i) crops produced on trees, vines, and bushes; and
 - (ii) aquatic goods produced in aquacultural operations;
- (B) livestock, born or unborn, including aquatic goods produced in aquacultural operations;
- (C) supplies used or produced in a farming operation; or
- (D) products of crops or livestock in their unmanufactured states.

(35) "Farming operation" means raising, cultivating, propagating, fattening, grazing, or any other farming, livestock, or aquacultural operation.

(36) "File number" means the number assigned to an initial financing statement pursuant to subsection (a) of Section 1-9-519 of this title.

(37) "Filing office" means an office designated in Section 1-9-501 as the place to file a financing statement.

(38) "Filing-office rule" means a rule adopted pursuant to Section 1-9-526 and 1-9-526.1 of this title.

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

(40) "Fixture filing" means the filing of a financing statement covering goods that are or are to become fixtures and satisfying subsections (a) and (b) of Section 1-9-502 of this title. The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

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

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

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

(44) (A) "Goods" means all things that are movable when a security interest attaches.

(B) The term includes:

(i) fixtures;

(ii) standing timber that is to be cut and removed under a conveyance or contract for sale;

(iii) the unborn young of animals;

(iv) crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes; and

(v) manufactured homes.

(C) The term also includes a computer program embedded in goods and any supporting information provided in

connection with a transaction relating to the program if:

- (i) the program is associated with the goods in such a manner that it customarily is considered part of the goods; or
 - (ii) by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods.
- (D) The term does not include a computer program which is embedded in goods and that consist solely of the medium in which the program is embedded.
- (E) The term also does not include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction.

(45) "Governmental unit" means a subdivision, agency, department, county, parish, municipality, or other unit of the government of the United States, a state, or a foreign country. The term includes an organization having a separate corporate existence if the organization is eligible to issue debt on which interest is exempt from income taxation under the laws of the United States.

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

(47) (A) "Instrument" means a negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in ordinary course of business is transferred by delivery with any necessary endorsement or assignment.

(B) "Instrument" includes:

- (i) an instrument as defined in subparagraph (A) of this paragraph, whether the instrument is subject to Section 3-104 of this title because it is not payable to order; and
- (ii) a writing that contains both an acknowledgment by a bank as defined in paragraph (8) of this subsection that a sum of money has been received by the bank and its promise to repay the sum of money, which is considered a certificate of deposit by the bank issuing it, even if the writing provides that it is nontransferable or uses similar language.

(C) The term does not include:

- (i) investment property;

- (ii) letters of credit; or
- (iii) writings that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

(48) "Inventory" means goods, other than farm products, which:

- (A) are leased by a person as lessor;
- (B) are held by a person for sale or lease or to be furnished under a contract of service;
- (C) are furnished by a person under a contract of service; or
- (D) consist of raw materials, work in process, or materials used or consumed in a business.

(49) "Investment property" means a security, whether certificated or uncertificated, security entitlement, securities account, commodity contract, or commodity account.

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

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

(52) "Lien creditor" means:

- (A) a creditor that has acquired a lien on the property involved by attachment, levy, or the like;
- (B) an assignee for benefit of creditors from the time of assignment;
- (C) a trustee in bankruptcy from the date of the filing of the petition; or
- (D) a receiver in equity from the time of appointment.

(53) (A) "Manufactured home" means a structure, transportable in one or more sections, which:

- (i) in the traveling mode, is eight body feet or more in width or forty (40) body feet or more in length, or, when erected on site, is three hundred twenty (320) or more square feet,
- (ii) is built on a permanent chassis,

- (iii) is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and
 - (iv) includes the plumbing, heating, air-conditioning, and electrical systems contained therein.
- (B) The term includes any structure that meets all of the requirements of this paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the United States Secretary of Housing and Urban Development and complies with the standards established under Title 42 of the United States Code.

(54) "Manufactured-home transaction" means a secured transaction:

- (A) that creates a purchase-money security interest in a manufactured home, other than a manufactured home held as inventory; or
- (B) in which a manufactured home, other than a manufactured home held as inventory, is the primary collateral.

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

(56) "New debtor" means a person that becomes bound as a debtor under subsection (d) of Section 1-9-203 of this title by a security agreement previously entered into by another person.

(57) (A) "New value" means:

- (i) money;
- (ii) money's worth in property, services, or new credit; or
- (iii) release by a transferee of an interest in property previously transferred to the transferee.

- (B) The term does not include an obligation substituted for another obligation.

(58) "Noncash proceeds" means proceeds other than cash proceeds.

(59) (A) "Obligor" means a person that, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral:

- (i) owes payment or other performance of the obligation;

(ii) has provided property other than the collateral to secure payment or other performance of the obligation; or

(iii) is otherwise accountable in whole or in part for payment or other performance of the obligation.

(B) The term does not include issuers or nominated persons under a letter of credit.

(60) "Original debtor" means a person that, as debtor, entered into a security agreement to which a new debtor has become bound under subsection (d) of Section 1-9-203 of this title.

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

(62) "Person related to", with respect to an individual, means:

(A) the spouse of the individual;

(B) a brother, brother-in-law, sister, or sister-in-law of the individual;

(C) an ancestor or lineal descendant of the individual or the individual's spouse; or

(D) any other relative, by blood or marriage, of the individual or the individual's spouse who shares the same home with the individual.

(63) "Person related to", with respect to an organization, means:

(A) a person directly or indirectly controlling, controlled by, or under common control with the organization;

(B) an officer or director of, or a person performing similar functions with respect to, the organization;

(C) an officer or director of, or a person performing similar functions with respect to, a person described in subparagraph (A);

(D) the spouse of an individual described in subparagraph (A), (B), or (C) of this paragraph; or

(E) an individual who is related by blood or marriage to an individual described in subparagraph (A), (B), (C), or (D) of this paragraph and who shares the same home with the individual.

(64) "Proceeds" means the following property:

(A) whatever is acquired upon the sale, lease, license, exchange, or other disposition of collateral;

- (B) whatever is collected on, or distributed on account of, collateral;
- (C) rights arising out of collateral;
- (D) to the extent of the value of collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the collateral; or
- (E) to the extent of the value of collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the collateral.

(65) "Promissory note" means an instrument that evidences a promise to pay a monetary obligation, does not evidence an order to pay, and does not contain an acknowledgment by a bank that the bank has received for deposit a sum of money or funds.

(66) "Proposal" means a record authenticated by a secured party which includes the terms on which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures pursuant to Sections 1-9-620, 1-9-621, and 1-9-622 of this title.

(67) "Public-finance transaction" means a secured transaction in connection with which:

- (A) debt securities are issued;
- (B) all or a portion of the securities issued have an initial stated maturity of at least twenty (20) years; and
- (C) the debtor, obligor, secured party, account debtor or other person obligated on collateral, assignor or assignee of a secured obligation, or assignor or assignee of a security interest is a state or a governmental unit of a state.

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

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

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

(71) "Secondary obligor" means an obligor to the extent that:

- (A) the obligor's obligation is secondary; or
 - (B) the obligor has a right of recourse with respect to an obligation secured by collateral against the debtor, another obligor, or property of either.
- (72) "Secured party" means:
- (A) a person in whose favor a security interest is created or provided for under a security agreement, whether or not any obligation to be secured is outstanding;
 - (B) a person that holds an agricultural lien;
 - (C) a consignor;
 - (D) a person to which accounts, chattel paper, payment intangibles, or promissory notes have been sold;
 - (E) a trustee, indenture trustee, agent, collateral agent, or other representative in whose favor a security interest or agricultural lien is created or provided for; or
 - (F) a person that holds a security interest arising under Section 2-401, 2-505, paragraph (3) of Section 2-711, paragraph (5) of Section 2A-508, 4-210, or 5-118 of this title.

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

(74) "Send", in connection with a record or notification, means:

- (A) to deposit in the mail, deliver for transmission, or transmit by any other usual means of communication, with postage or cost of transmission provided for, addressed to any address reasonable under the circumstances; or
- (B) to cause the record or notification to be received within the time that it would have been received if properly sent under subparagraph (A) of this paragraph.

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

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

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

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

(79) "Termination statement" means an amendment of a financing statement which:

- (A) identifies, by its file number, the initial financing statement to which it relates; and
- (B) indicates either that it is a termination statement or that the identified financing statement is no longer effective.

(80) "Transmitting utility" means a person primarily engaged in the business of:

- (A) operating a railroad, subway, street railway, or trolley bus;
- (B) transmitting communications electrically, electromagnetically, or by light;
- (C) transmitting goods by pipeline or sewer; or
- (D) transmitting or producing and transmitting electricity, steam, gas, or water.

(b) The "Control" as provided in Section 7-106 of this title and the following definitions in other articles of this title apply to this article:

"Applicant" - Section 5-102 of this title.

"Beneficiary" - Section 5-102 of this title.

"Broker" - Section 8-102 of this title.

"Certificated security" - Section 8-102 of this title.

"Check" - Section 3-104 of this title.

"Clearing corporation" - Section 8-102 of this title.

"Contract for sale" - Section 2-106 of this title.

"Customer" - Section 4-104 of this title.

"Entitlement holder" - Section 8-102 of this title.

"Financial asset" - Section 8-102 of this title.

"Holder in due course" - Section 3-302 of this title.

"Issuer" (with respect to a letter of credit or letter-of-credit right)- Section 5-102 of this title.

"Issuer" - (with respect to a security) - Section 8-201 of this title.

"Issuer" - (with respect to documents of title) - Section 7-102 of this title.

"Lease" - Section 2A-103 of this title.

"Lease agreement" - Section 2A-103 of this title.

"Lease contract" - Section 2A-103 of this title.

"Leasehold interest" - Section 2A-103 of this title.

"Lessee" - Section 2A-103 of this title.

"Lessee in ordinary course of business" - Section 2A-103 of this title.

"Lessor" - Section 2A-103 of this title.

"Lessor's residual interest" - Section 2A-103 of this title.

"Letter of credit" - Section 5-102 of this title.

"Merchant" - Section 2-104 of this title.

"Negotiable instrument" - Section 3-104 of this title.

"Nominated person" - Section 5-102 of this title.

"Note" - Section 3-104 of this title.

"Proceeds of a letter of credit" - Section 5-114 of this title.

"Prove" - Section 3-103 of this title.

"Sale" - Section 2-106 of this title.

"Securities account" - Section 8-501 of this title.

"Securities intermediary" - Section 8-102 of this title.

"Security" - Section 8-102 of this title.

"Security certificate" - Section 8-102 of this title.

"Security entitlement" - Section 8-102 of this title.

"Uncertificated security" - Section 8-102 of this title.

(c) Article 1 of this title contains general definitions and principles of construction and interpretation applicable throughout this article.

SECTION 60. AMENDATORY 12A O.S. 2001, Section 1-9-203, is amended to read as follows:

Section 1-9-203.

ATTACHMENT AND ENFORCEABILITY OF SECURITY INTEREST;

PROCEEDS; SUPPORTING OBLIGATIONS; FORMAL REQUISITES

(a) A security interest attaches to collateral when it becomes enforceable against the debtor with respect to the collateral, unless an agreement expressly postpones the time of attachment.

(b) Except as otherwise provided in subsections (c) through (i) of this section, a security interest is enforceable against the debtor and third parties with respect to the collateral only if:

- (1) value has been given;
- (2) the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party; and
- (3) one of the following conditions is met:
 - (A) the debtor has authenticated a security agreement that provides a description of the collateral and, if the security interest covers timber to be cut, a description of the land concerned;
 - (B) the collateral is not a certificated security and is in the possession of the secured party under Section 1-9-313 of this title pursuant to the debtor's security agreement;
 - (C) the collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under Section 8-301 of this title pursuant to the debtor's security agreement; or
 - (D) the collateral is deposit accounts, electronic chattel paper, investment property, ~~or~~ letter-of-credit rights, or electronic documents, and the secured party has control under Section 7-106, 1-9-104, 1-9-105, 1-9-106, or 1-9-107 of this title pursuant to the debtor's security agreement.

(c) Subsection (b) of this section is subject to Section 4-210 of this title on the security interest of a collecting bank, Section 5-118 of this title on the security interest of a letter-of-credit issuer or nominated person, Section 1-9-110 of this title on a security interest arising under Article 2 or 2A of this title, and Section 1-9-206 of this title on security interests in investment property.

(d) A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than this article or by contract:

- (1) the security agreement becomes effective to create a security interest in the person's property; or
- (2) the person becomes generally obligated for the obligations of the other person, including the obligation secured under the security agreement, and acquires or succeeds to all or substantially all of the assets of the other person.

(e) If a new debtor becomes bound as debtor by a security agreement entered into by another person:

(1) the agreement satisfies paragraph (3) of subsection (b) of this section with respect to existing or after-acquired property of the new debtor to the extent the property is described in the agreement; and

(2) another agreement is not necessary to make a security interest in the property enforceable.

(f) The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by Section 1-9-315 of this title and is also attachment of a security interest in a supporting obligation for the collateral.

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

(h) The attachment of a security interest in a securities account is also attachment of a security interest in the security entitlements carried in the securities account.

(i) The attachment of a security interest in a commodity account is also attachment of a security interest in the commodity contracts carried in the commodity account.

SECTION 61. AMENDATORY 12A O.S. 2001, Section 1-9-207, is amended to read as follows:

Section 1-9-207.

RIGHTS AND DUTIES OF SECURED PARTY

HAVING POSSESSION OR CONTROL OF COLLATERAL

(a) Except as otherwise provided in subsection (d) of this section, a secured party shall use reasonable care in the custody and preservation of collateral in the secured party's possession. In the case of chattel paper or an instrument, reasonable care includes taking necessary steps to preserve rights against prior parties unless otherwise agreed.

(b) Except as otherwise provided in subsection (d) of this section, if a secured party has possession of collateral:

(1) reasonable expenses, including the cost of insurance and payment of taxes or other charges, incurred in the custody, preservation, use, or operation of the collateral are chargeable to the debtor and are secured by the collateral;

(2) the risk of accidental loss or damage is on the debtor to the extent of a deficiency in any effective insurance coverage;

(3) the secured party shall keep the collateral identifiable, but fungible collateral may be commingled; and

(4) the secured party may use or operate the collateral:

- (A) for the purpose of preserving the collateral or its value;
- (B) as permitted by an order of a court having competent jurisdiction; or
- (C) except in the case of consumer goods, in the manner and to the extent agreed by the debtor.

(c) Except as otherwise provided in subsection (d) of this section, a secured party having possession of collateral or control of collateral under Section 7-106, 1-9-104, 1-9-105, 1-9-106, or 1-9-107 of this title:

(1) may hold as additional security any proceeds, except money or funds, received from the collateral;

(2) shall apply money or funds received from the collateral to reduce the secured obligation, unless remitted to the debtor; and

(3) may create a security interest in the collateral.

(d) If the secured party is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor:

(1) subsection (a) of this section does not apply unless the secured party is entitled under an agreement:

(A) to charge back uncollected collateral; or

(B) otherwise to full or limited recourse against the debtor or a secondary obligor based on the nonpayment or other default of an account debtor or other obligor on the collateral; and

(2) subsections (b) and (c) of this section do not apply.

SECTION 62. AMENDATORY 12A O.S. 2001, Section 1-9-208, is amended to read as follows:

Section 1-9-208.

ADDITIONAL DUTIES OF SECURED PARTY

HAVING CONTROL OF COLLATERAL

(a) This section applies to cases in which there is no outstanding secured obligation and the secured party is not committed to make advances, incur obligations, or otherwise give value.

(b) Within ten (10) days after receiving an authenticated demand by the debtor:

(1) a secured party having control of a deposit account under paragraph (2) of subsection (a) of Section 1-9-104 of this title shall send to the bank with which the deposit account is maintained an authenticated statement that releases the bank from any further

obligation to comply with instructions originated by the secured party;

(2) a secured party having control of a deposit account under paragraph (3) of subsection (a) of Section 1-9-104 of this title shall:

- (A) pay the debtor the balance on deposit in the deposit account; or
- (B) transfer the balance on deposit into a deposit account in the debtor's name;

(3) a secured party, other than a buyer, having control of electronic chattel paper under Section 1-9-105 of this title shall:

- (A) communicate the authoritative copy of the electronic chattel paper to the debtor or its designated custodian;
- (B) if the debtor designates a custodian that is the designated custodian with which the authoritative copy of the electronic chattel paper is maintained for the secured party, communicate to the custodian an authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by the secured party and instructing the custodian to comply with instructions originated by the debtor; and
- (C) take appropriate action to enable the debtor or its designated custodian to make copies of or revisions to the authoritative copy which add or change an identified assignee of the authoritative copy without the consent of the secured party;

(4) a secured party having control of investment property under paragraph (2) of subsection (d) of Section 8-106 of this title or subsection (b) of Section 1-9-106 of this title shall send to the securities intermediary or commodity intermediary with which the security entitlement or commodity contract is maintained an authenticated record that releases the securities intermediary or commodity intermediary from any further obligation to comply with entitlement orders or directions originated by the secured party; and

(5) a secured party having control of a letter-of-credit right under Section 1-9-107 of this title shall send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party; and

(6) a secured party having control of an electronic document shall:

- (A) give control of the electronic document to the debtor or its designated custodian;

- (B) if the debtor designates a custodian that is the designated custodian with which the authoritative copy of the electronic document is maintained for the secured party, communicate to the custodian an authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by the secured party and instructing the custodian to comply with instructions originated by the debtor; and
- (C) take appropriate action to enable the debtor or its designated custodian to make copies of or revisions to the authoritative copy which add or change an identified assignee of the authoritative copy without the consent of the secured party.

SECTION 63. AMENDATORY 12A O.S. 2001, Section 1-9-301, is amended to read as follows:

Section 1-9-301.

LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS

Except as otherwise provided in Sections 1-9-303 through 1-9-306 of this title, the following rules determine the law governing perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral:

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

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

(3) Except as otherwise provided in paragraph (4) of this section, while tangible negotiable documents, goods, instruments, money, or tangible chattel paper is located in a jurisdiction, the local law of that jurisdiction governs:

- (A) perfection of a security interest in the goods by filing a fixture filing;
- (B) perfection of a security interest in timber to be cut; and
- (C) the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.

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

SECTION 64. AMENDATORY 12A O.S. 2001, Section 1-9-310,
is amended to read as follows:

Section 1-9-310.

WHEN FILING REQUIRED TO PERFECT SECURITY INTEREST OR
AGRICULTURAL LIEN; SECURITY INTERESTS AND AGRICULTURAL
LIENS TO WHICH FILING PROVISIONS DO NOT APPLY

(a) Except as otherwise provided in subsection (b) of this section and Section 1-9-312 of this title, a financing statement must be filed to perfect all security interests and agricultural liens.

(b) The filing of a financing statement is not necessary to perfect a security interest:

(1) that is perfected under subsection (d), (e), (f), or (g) of Section 1-9-308 of this title;

(2) that is perfected under Section 1-9-309 of this title when it attaches;

(3) in property subject to a statute, regulation, or treaty described in subsection (a) of Section 1-9-311 of this title;

(4) in goods in possession of a bailee which is perfected under paragraph (1) or (2) of subsection (d) of Section 1-9-312 of this title;

(5) in certificated securities, documents, goods, or instruments which is perfected without filing, control, or possession under subsection (e), (f), or (g) of Section 1-9-312 of this title;

(6) in collateral in the secured party's possession under Section 1-9-313 of this title;

(7) in a certificated security which is perfected by delivery of the security certificate to the secured party under Section 1-9-313 of this title;

(8) in deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights which is perfected by control under Section 1-9-314 of this title;

(9) in proceeds which is perfected under Section 1-9-315 of this title; or

(10) that is perfected under Section 1-9-316 of this title.

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

SECTION 65. AMENDATORY 12A O.S. 2001, Section 1-9-312,
is amended to read as follows:

Section 1-9-312.

PERFECTION OF SECURITY INTERESTS IN CHATTEL PAPER, DEPOSIT
ACCOUNTS, DOCUMENTS, GOODS COVERED BY DOCUMENTS, INSTRUMENTS,
INVESTMENT PROPERTY, LETTER-OF-CREDIT RIGHTS, AND MONEY;
PERFECTION BY PERMISSIVE FILING; TEMPORARY PERFECTION WITHOUT
FILING OR TRANSFER OF POSSESSION

(a) A security interest in chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

(b) Except as otherwise provided in subsections (c) and (d) of Section 1-9-315 of this title for proceeds:

(1) a security interest in a deposit account may be perfected only by control under Section 1-9-314 of this title;

(2) and except as otherwise provided in subsection (d) of Section 1-9-308 of this title, a security interest in a letter-of-credit right may be perfected only by control under Section 1-9-314 of this title; and

(3) a security interest in money may be perfected only by the secured party's taking possession under Section 1-9-313 of this title.

(c) While goods are in the possession of a bailee that has issued a negotiable document covering the goods:

(1) a security interest in the goods may be perfected by perfecting a security interest in the document; and

(2) a security interest perfected in the document has priority over any security interest that becomes perfected in the goods by another method during that time.

(d) While goods are in the possession of a bailee that has issued a nonnegotiable document covering the goods, a security interest in the goods may be perfected by:

(1) issuance of a document in the name of the secured party;

(2) the bailee's receipt of notification of the secured party's interest; or

(3) filing as to the goods.

(e) A security interest in certificated securities, negotiable documents, or instruments is perfected without filing or the taking of possession or control for a period of twenty (20) days from the time it attaches to the extent that it arises for new value given under an authenticated security agreement.

(f) A perfected security interest in a negotiable document or goods in possession of a bailee, other than one that has issued a

negotiable document for the goods, remains perfected for twenty (20) days without filing if the secured party makes available to the debtor the goods or documents representing the goods for the purpose of:

(1) ultimate sale or exchange; or

(2) loading, unloading, storing, shipping, transshipping, manufacturing, processing, or otherwise dealing with them in a manner preliminary to their sale or exchange.

(g) A perfected security interest in a certificated security or instrument remains perfected for twenty (20) days without filing if the secured party delivers the security certificate or instrument to the debtor for the purpose of:

(1) ultimate sale or exchange; or

(2) presentation, collection, enforcement, renewal, or registration of transfer.

(h) After the twenty-day period specified in subsection (e), (f), or (g) of this section expires, perfection depends upon compliance with this article.

SECTION 66. AMENDATORY 12A O.S. 2001, Section 1-9-313, is amended to read as follows:

Section 1-9-313.

WHEN POSSESSION BY OR DELIVERY TO SECURED PARTY

PERFECTS SECURITY INTEREST WITHOUT FILING

(a) Except as otherwise provided in subsection (b) of this section, a secured party may perfect a security interest in tangible negotiable documents, goods, instruments, money, or tangible chattel paper by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the certificated securities under Section 8-301 of this title.

(b) With respect to goods covered by a certificate of title issued by this state, a secured party may perfect a security interest in the goods by taking possession of the goods only in the circumstances described in subsection (d) of Section 1-9-316 of this title.

(c) With respect to collateral other than certificated securities and goods covered by a document, a secured party takes possession of collateral in the possession of a person other than the debtor, the secured party, or a lessee of the collateral from the debtor in the ordinary course of the debtor's business, when:

(1) the person in possession authenticates a record acknowledging that it holds possession of the collateral for the secured party's benefit; or

(2) the person takes possession of the collateral after having authenticated a record acknowledging that it will hold possession of collateral for the secured party's benefit.

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

(e) A security interest in a certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under Section 8-301 of this title and remains perfected by delivery until the debtor obtains possession of the security certificate.

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

(g) If a person acknowledges that it holds possession for the secured party's benefit:

(1) the acknowledgment is effective under subsection (c) of this section or subsection (a) of Section 8-301 of this title, even if the acknowledgment violates the rights of a debtor; and

(2) unless the person otherwise agrees or law other than this article otherwise provides, the person does not owe any duty to the secured party and is not required to confirm the acknowledgment to another person.

(h) A secured party having possession of collateral does not relinquish possession by delivering the collateral to a person other than the debtor or a lessee of the collateral from the debtor in the ordinary course of the debtor's business if the person was instructed before the delivery or is instructed contemporaneously with the delivery:

(1) to hold possession of the collateral for the secured party's benefit; or

(2) to redeliver the collateral to the secured party.

(i) A secured party does not relinquish possession, even if a delivery under subsection (h) of this section violates the rights of a debtor. A person to which collateral is delivered under subsection (h) of this section does not owe any duty to the secured party and is not required to confirm the delivery to another person unless the person otherwise agrees or law other than this article otherwise provides.

SECTION 67. AMENDATORY 12A O.S. 2001, Section 1-9-314, is amended to read as follows:

Section 1-9-314.

PERFECTION BY CONTROL

(a) A security interest in investment property, deposit accounts, letter-of-credit rights, ~~or~~ electronic chattel paper, or electronic documents may be perfected by control of the collateral

under Section 7-106, 1-9-104, 1-9-105, 1-9-106, or 1-9-107 of this title.

(b) A security interest in deposit accounts, electronic chattel paper, ~~or~~ letter-of-credit rights, or electronic documents is perfected by control under Section 1-9-104, 1-9-105, or 1-9-107 of this title when the secured party obtains control and remains perfected by control only while the secured party retains control.

(c) A security interest in investment property is perfected by control under Section 1-9-106 of this title from the time the secured party obtains control and remains perfected by control until:

- (1) the secured party does not have control; and
- (2) one of the following occurs:
 - (A) if the collateral is a certificated security, the debtor has or acquires possession of the security certificate;
 - (B) if the collateral is an uncertificated security, the issuer has registered or registers the debtor as the registered owner; or
 - (C) if the collateral is a security entitlement, the debtor is or becomes the entitlement holder.

SECTION 68. AMENDATORY 12A O.S. 2001, Section 1-9-317, is amended to read as follows:

Section 1-9-317.

INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE
OF SECURITY INTEREST OR AGRICULTURAL LIEN

(a) A security interest or agricultural lien is subordinate to the rights of:

- (1) a person entitled to priority under Section 1-9-322 of this title; and
- (2) except as otherwise provided in subsection (e) of this section, a person that becomes a lien creditor before the earlier of the time:
 - (A) the security interest or agricultural lien is perfected; or
 - (B) one of the conditions specified in paragraph (3) of subsection (b) of Section 1-9-203 of this title is met and a financing statement covering the collateral is filed.

(b) Except as otherwise provided in subsection (e) of this section, a buyer, other than a secured party, of tangible chattel paper, tangible documents, goods, instruments, or a security certificate takes free of a security interest or agricultural lien

if the buyer gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

(c) Except as otherwise provided in subsection (e) of this section, a lessee of goods takes free of a security interest or agricultural lien if the lessee gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

(d) A licensee of a general intangible or a buyer, other than a secured party, of accounts, electronic chattel paper, electronic documents, general intangibles, or investment property other than a certificated security takes free of a security interest if the licensee or buyer gives value without knowledge of the security interest and before it is perfected.

(e) Except as otherwise provided in Sections 1-9-320 and 1-9-321 of this title, if a person files a financing statement with respect to a purchase-money security interest before or within twenty (20) days after the debtor receives delivery of the collateral, the security interest takes priority over the rights of a buyer, lessee, or lien creditor which arise between the time the security interest attaches and the time of filing.

SECTION 69. AMENDATORY 12A O.S. 2001, Section 1-9-338, is amended to read as follows:

Section 1-9-338.

PRIORITY OF SECURITY INTEREST OR

AGRICULTURAL LIEN PERFECTED BY FILED FINANCING

STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION

If a security interest or agricultural lien is perfected by a filed financing statement providing information described in paragraph (5) of subsection (b) of Section 1-9-516 of this title which is incorrect at the time the financing statement is filed:

(1) the security interest or agricultural lien is subordinate to a conflicting perfected security interest in the collateral to the extent that the holder of the conflicting security interest gives value in reasonable reliance upon the incorrect information; and

(2) a purchaser, other than a secured party, of the collateral takes free of the security interest or agricultural lien to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and, in the case of tangible chattel paper, tangible documents, goods, instruments, or a security certificate, receives delivery of the collateral.

SECTION 70. AMENDATORY 12A O.S. 2001, Section 1-9-601, is amended to read as follows:

Section 1-9-601.

RIGHTS AFTER DEFAULT; JUDICIAL ENFORCEMENT;

CONSIGNOR OR BUYER OF ACCOUNTS, CHATTEL PAPER,

PAYMENT INTANGIBLES, OR PROMISSORY NOTES

(a) After default, a secured party has the rights provided in this part and, except as otherwise provided in Section 1-9-602 of this title, those provided by agreement of the parties. A secured party:

(1) may reduce a claim to judgment, foreclose, or otherwise enforce the claim, security interest, or agricultural lien by any available judicial procedure, but Section 686 of Title 12 of the Oklahoma Statutes, shall not apply to the enforcement of a claim, security interest, or agricultural lien under this article except as provided in Section 1-9-604 of this title where the procedure is in accordance with the rights of the parties with respect to real property; and

(2) if the collateral is documents, may proceed either as to the documents or as to the goods they cover.

(b) A secured party in possession of collateral or control of collateral under Section 7-106, 1-9-104, 1-9-105, 1-9-106, or 1-9-107 of this title has the rights and duties provided in Section 1-9-207 of this title.

(c) The rights under subsections (a) and (b) of this section are cumulative and may be exercised simultaneously.

(d) Except as otherwise provided in subsection (g) of this section and Section 1-9-605 of this title, after default, a debtor and an obligor have the rights provided in this part and by agreement of the parties.

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

(1) the date of perfection of the security interest or agricultural lien in the collateral;

(2) the date of filing a financing statement covering the collateral; or

(3) any date specified in a statute under which the agricultural lien was created.

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

(g) Except as otherwise provided in subsection (c) of Section 1-9-607 of this title, this part imposes no duties upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory notes.

SECTION 71. REPEALER 12A O.S. 2001, Section 7-105, is hereby repealed.

SECTION 72. REPEALER 12A O.S. 2001, Section 10-104, is hereby repealed.

SECTION 73. This act shall become effective January 1, 2006.

Passed the House of Representatives the 16th day of March, 2005.

Presiding Officer of the House of
Representatives

Passed the Senate the 27th day of April, 2005.

Presiding Officer of the Senate