
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0002.2/09 2nd draft

ATTY/TYPIST: JA:cro

BRIEF DESCRIPTION: Revising Article 7 of the Uniform Commercial Code, documents of title.

1 AN ACT Relating to revising Article 7 of the Uniform Commercial
2 Code, documents of title; amending RCW 62A.7-101, 62A.7-102, 62A.7-103,
3 62A.7-104, 62A.7-105, 62A.7-201, 62A.7-202, 62A.7-203, 62A.7-204,
4 62A.7-205, 62A.7-206, 62A.7-207, 62A.7-208, 62A.7-209, 62A.7-210,
5 62A.7-301, 62A.7-302, 62A.7-303, 62A.7-304, 62A.7-305, 62A.7-307,
6 62A.7-308, 62A.7-309, 62A.7-401, 62A.7-402, 62A.7-403, 62A.7-404,
7 62A.7-501, 62A.7-502, 62A.7-503, 62A.7-504, 62A.7-505, 62A.7-506,
8 62A.7-507, 62A.7-508, 62A.7-509, 62A.7-601, 62A.7-602, 62A.7-603,
9 62A.1-201, 62A.1-201, 62A.2-103, 62A.2-104, 62A.2-308, 62A.2-310,
10 62A.2-323, 62A.2-401, 62A.2-503, 62A.2-505, 62A.2-506, 62A.2-509,
11 62A.2-605, 62A.2-705, 62A.2A-103, 62A.2A-514, 62A.2A-526, 62A.4-104,
12 62A.4-210, 62A.8-103, 62A.9A-102, 62A.9A-203, 62A.9A-207, 62A.9A-208,
13 62A.9A-301, 62A.9A-308, 62A.9A-310, 62A.9A-312, 62A.9A-313, 62A.9A-314,
14 62A.9A-317, 62A.9A-323, 62A.9A-338, 62A.9A-601, 43.340.050, 62A.4-210,
15 62A.5-118, 62A.9A-110, 62A.9A-306, 62A.9A-311, 62A.9A-324, 62A.9A-508,
16 and 62A.9A-602; adding a new section to chapter 62A.7 RCW; creating new
17 sections; repealing RCW 62A.10-104; and providing contingent effective
18 dates.

19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

PART I
GENERAL

1
2
3 **Sec. 101.** RCW 62A.7-101 and 1965 ex.s. c 157 s 7-101 are each
4 amended to read as follows:

5 SHORT TITLE. This article ~~((shall be known and))~~ may be cited as
6 Uniform Commercial Code-Documents of Title.

7 **Sec. 102.** RCW 62A.7-102 and 1965 ex.s. c 157 s 7-102 are each
8 amended to read as follows:

9 DEFINITIONS AND INDEX OF DEFINITIONS. (1) In this article, unless
10 the context otherwise requires:

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

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

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

17 ~~((+e))~~ (d) "Consignor" means ~~((the))~~ a person named in a bill of
18 lading as the person from ~~((whom))~~ which the goods have been received
19 for shipment.

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

24 ~~((+e))~~ "~~Document~~" means ~~document of title as defined in the general~~
25 ~~definitions in Article 1 (RCW 62A.1-201).~~)

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

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

30 ~~((+g))~~ (h) "Issuer" means a bailee ~~((who))~~ that issues a document
31 ~~((except that))~~ of title or, in ~~((relation to))~~ the case of an
32 unaccepted delivery order ~~((it means))~~, the person ~~((who))~~ that orders
33 the possessor of goods to deliver. ~~((Issuer))~~ The term includes
34 ~~((any))~~ a person for ~~((whom))~~ which an agent or employee purports to
35 act in issuing a document if the agent or employee has real or apparent
36 authority to issue documents, ~~((notwithstanding that))~~ even if the

1 issuer (~~received no~~) did not receive any goods (~~or that~~), the goods
2 were misdescribed, or (~~that~~) in any other respect the agent or
3 employee violated (~~his~~) the issuer's instructions.

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

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

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

- 14 (i) To execute or adopt a tangible symbol; or
- 15 (ii) To attach to or logically associate with the record an
16 electronic sound, symbol, or process.

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

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

21 ~~(2) (Other definitions applying to this Article or to specified~~
22 ~~Parts thereof, and the sections in which they appear are:~~

- 23 ~~"Duly negotiate". RCW 62A.7-501.~~
- 24 ~~"Person entitled under the document". RCW 62A.7-403(4).~~
- 25 ~~(3))~~ Definitions in other articles applying to this article and
26 the sections in which they appear are:

- 27 (a) "Contract for sale". RCW 62A.2-106((-));
- 28 ~~(("Overseas". RCW 62A.2-323.))~~ (b) "Lessee in the ordinary course
29 of business," RCW 62A.2A.103; and
- 30 (c) "Receipt" of goods((-)), RCW 62A.2-103.

31 ~~((4))~~ (3) In addition, Article 1 contains general definitions and
32 principles of construction and interpretation applicable throughout
33 this article.

34 **Sec. 103.** RCW 62A.7-103 and 1965 ex.s. c 157 s 7-103 are each
35 amended to read as follows:

36 RELATION OF ARTICLE TO TREATY((-)) OR STATUTE((-TARIFF,
37 CLASSIFICATION OR REGULATION)). (~~To the extent that~~) (1) This

1 article is subject to any treaty or statute of the United States~~((7))~~
2 or regulatory statute of this state ~~((or tariff, classification or~~
3 ~~regulation filed or issued pursuant thereto))~~ to the extent the treaty,
4 statute, or regulatory statute is applicable~~((, the provisions of this~~
5 ~~Article are subject thereto))~~.

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

12 (3) This act modifies, limits, and supersedes the federal
13 electronic signatures in global and national commerce act (15 U.S.C.
14 Sec. 7001, et seq.) but does not modify, limit, or supersede section
15 101(c) of that act (15 U.S.C. Sec. 7001(c)) or authorize electronic
16 delivery of any of the notices described in section 103(b) of that act
17 (15 U.S.C. Sec. 7003(b)).

18 (4) To the extent there is a conflict between the uniform
19 electronic transactions act and this article, this article governs.

20 **Sec. 104.** RCW 62A.7-104 and 1965 ex.s. c 157 s 7-104 are each
21 amended to read as follows:

22 NEGOTIABLE AND NON-NEGOTIABLE ~~((WAREHOUSE RECEIPT, BILL OF LADING~~
23 ~~OR OTHER))~~ DOCUMENT OF TITLE. (1) ((A warehouse receipt, bill of
24 ~~lading or other document of title is negotiable~~

25 ~~(a))~~ Except as otherwise provided in subsection (3) of this
26 section, a document of title is negotiable if by its terms the goods
27 are to be delivered to bearer or to the order of a named person~~((or~~

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

30 ~~(2) Any other document)).~~

31 (2) A document of title other than one described in subsection (1)
32 of this section is non-negotiable. A bill of lading ~~((in which it is~~
33 ~~stated))~~ that states that the goods are consigned to a named person is
34 not made negotiable by a provision that the goods are to be delivered
35 only against ~~((a written))~~ an order in a record signed by the same or
36 another named person.

1 (3) A document of title is non-negotiable if, at the time it is
2 issued, the document has a conspicuous legend, however expressed, that
3 it is non-negotiable.

4 **Sec. 105.** RCW 62A.7-105 and 1965 ex.s. c 157 s 7-105 are each
5 amended to read as follows:

6 ~~((CONSTRUCTION AGAINST NEGATIVE IMPLICATION.))~~ REISSUANCE IN
7 ALTERNATIVE MEDIUM. ~~((The omission from either Part 2 or Part 3 of~~
8 ~~this Article of a provision corresponding to a provision made in the~~
9 ~~other Part does not imply that a corresponding rule of law is not~~
10 ~~applicable.))~~ (1) Upon request of a person entitled under an electronic
11 document of title, the issuer of the electronic document may issue a
12 tangible document of title as a substitute for the electronic document
13 if:

14 (a) The person entitled under the electronic document surrenders
15 control of the document to the issuer; and

16 (b) The tangible document when issued contains a statement that it
17 is issued in substitution for the electronic document.

18 (2) Upon issuance of a tangible document of title in substitution
19 for an electronic document of title in accordance with subsection (1)
20 of this section:

21 (a) The electronic document ceases to have any effect or validity;
22 and

23 (b) The person that procured issuance of the tangible document
24 warrants to all subsequent persons entitled under the tangible document
25 that the warrantor was a person entitled under the electronic document
26 when the warrantor surrendered control of the electronic document to
27 the issuer.

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

31 (a) The person entitled under the tangible document surrenders
32 possession of the document to the issuer; and

33 (b) The electronic document when issued contains a statement that
34 it is issued in substitution for the tangible document.

35 (4) Upon issuance of an electronic document of title in
36 substitution for a tangible document of title in accordance with
37 subsection (3) of this section:

- 1 (a) The tangible document ceases to have any effect or validity;
2 and
3 (b) The person that procured issuance of the electronic document
4 warrants to all subsequent persons entitled under the electronic
5 document that the warrantor was a person entitled under the tangible
6 document when the warrantor surrendered possession of the tangible
7 document to the issuer.

8 NEW SECTION. Sec. 106. A new section is added to chapter 62A.7
9 RCW to be codified s RCW 62A.7.106 to read as follows:

10 CONTROL OF ELECTRONIC DOCUMENT OF TITLE. (1) A person has control
11 of an electronic document of title if a system employed for evidencing
12 the transfer of interests in the electronic document reliably
13 establishes that person as the person to which the electronic document
14 was issued or transferred.

15 (2) A system satisfies subsection (1) of this section, and a person
16 is deemed to have control of an electronic document of title, if the
17 document is created, stored, and assigned in such a manner that:

18 (a) A single authoritative copy of the document exists which is
19 unique, identifiable, and, except as otherwise provided in subsections
20 (4), (5), and (6) of this section, unalterable;

21 (b) The authoritative copy identifies the person asserting control
22 as:

23 (i) The person to which the document was issued; or

24 (ii) If the authoritative copy indicates that the document has been
25 transferred, the person to which the document was most recently
26 transferred;

27 (c) The authoritative copy is communicated to and maintained by the
28 person asserting control or its designated custodian;

29 (d) Copies or amendments that add or change an identified assignee
30 of the authoritative copy can be made only with the consent of the
31 person asserting control;

32 (e) Each copy of the authoritative copy and any copy of a copy is
33 readily identifiable as a copy that is not the authoritative copy; and

34 (f) Any amendment of the authoritative copy is readily identifiable
35 as authorized or unauthorized.

1 PART II

2 WAREHOUSE RECEIPTS: SPECIAL PROVISIONS

3 Sec. 201. RCW 62A.7-201 and 1965 ex.s. c 157 s 7-201 are each
4 amended to read as follows:

5 ((WHO)) PERSON THAT MAY ISSUE A WAREHOUSE RECEIPT; STORAGE UNDER
6 ((GOVERNMENT)) BOND. (1) A warehouse receipt may be issued by any
7 ((warehouseman)) warehouse.

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

15 Sec. 202. RCW 62A.7-202 and 2000 c 58 s 1 are each amended to read
16 as follows:

17 FORM OF WAREHOUSE RECEIPT; ((ESSENTIAL TERMS; OPTIONAL TERMS))
18 EFFECT OF OMISSION. (1) A warehouse receipt need not be in any
19 particular form.

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

24 (a) A statement of the location of the warehouse facility where the
25 goods are stored;

26 (b) The date of issue of the receipt;

27 (c) The ((consecutive number)) unique identification code of the
28 receipt;

29 (d) A statement whether the goods received will be delivered to the
30 bearer, to a ((specified)) named person, or to a ((specified)) named
31 person or ((his)) its order;

32 (e) The rate of storage and handling charges, ((except that where))
33 unless goods are stored under a field warehousing arrangement, in which
34 case a statement of that fact is sufficient on a non-negotiable
35 receipt;

36 (f) A description of the goods or ((of)) the packages containing
37 them;

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

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

7 (i) A statement of the amount of advances made and of liabilities
8 incurred for which the ~~((warehouseman))~~ warehouse claims a lien or
9 security interest ~~((RCW 62A.7-209). If))~~, unless the precise amount
10 of ~~((such))~~ advances made or ~~((of such))~~ liabilities incurred ~~((is))~~,
11 at the time of the issue of the receipt, is unknown to the
12 ~~((warehouseman))~~ warehouse or to ~~((his))~~ its agent ~~((who issues it,))~~
13 that issued the receipt, in which case a statement of the fact that
14 advances have been made or liabilities incurred and the purpose
15 ~~((thereof))~~ of the advances or liabilities is sufficient.

16 (3) A ~~((warehouseman))~~ warehouse may insert in ~~((his))~~ its receipt
17 any ~~((other))~~ terms ~~((which))~~ that are not contrary to the ~~((provisions~~
18 ~~of this Title))~~ Uniform Commercial Code and do not impair ~~((his))~~ its
19 obligation of delivery ~~((RCW 62A.7-403) or his))~~ under RCW 62A.7-403
20 or its duty of care ~~((+))~~ under RCW 62A.7-204~~((+))~~. Any contrary
21 provision~~((s shall be))~~ is ineffective.

22 **Sec. 203.** RCW 62A.7-203 and 1965 ex.s. c 157 s 7-203 are each
23 amended to read as follows:

24 LIABILITY FOR NON-RECEIPT OR MISDESCRIPTION. A party to or
25 purchaser for value in good faith of a document of title, other than a
26 bill of lading ~~((relying in either case))~~, that relies upon the
27 description ~~((therein))~~ of the goods in the document may recover from
28 the issuer damages caused by the non-receipt or misdescription of the
29 goods, except to the extent that:

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

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

3 **Sec. 204.** RCW 62A.7-204 and 1981 c 13 s 1 are each amended to read
4 as follows:

5 DUTY OF CARE; CONTRACTUAL LIMITATION OF ~~((WAREHOUSEMAN'S))~~
6 WAREHOUSE'S LIABILITY. (1) A ~~((warehouseman))~~ warehouse is liable for
7 damages for loss of or injury to the goods caused by ~~((his))~~ its
8 failure to exercise ~~((such))~~ care ~~((in))~~ with regard to ~~((them-as))~~
9 the goods that a reasonably careful ~~((man))~~ person would exercise under
10 ~~((like))~~ similar circumstances ~~((but))~~. Unless otherwise agreed
11 ~~((he)),~~ the warehouse is not liable for damages ~~((which))~~ that could
12 not have been avoided by the exercise of ~~((such))~~ that care.

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

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

33 (4) This section does not ~~((impair or repeal the duties of care or~~
34 ~~liabilities or penalties for breach thereof as provided in chapters~~
35 ~~22.09 and 22.32 RCW))~~ modify or supersede any state or federal statute
36 that imposes a higher responsibility upon the warehouse or invalidates
37 a contractual limitation that would be permissible under this article.

1 **Sec. 205.** RCW 62A.7-205 and 1965 ex.s. c 157 s 7-205 are each
2 amended to read as follows:

3 TITLE UNDER WAREHOUSE RECEIPT DEFEATED IN CERTAIN CASES. A buyer
4 in ~~((the))~~ ordinary course of business of fungible goods sold and
5 delivered by a ~~((warehouseman-who))~~ warehouse that is also in the
6 business of buying and selling such goods takes the goods free of any
7 claim under a warehouse receipt even ~~((though))~~ if the receipt is
8 negotiable and it has been duly negotiated.

9 **Sec. 206.** RCW 62A.7-206 and 1965 ex.s. c 157 s 7-206 are each
10 amended to read as follows:

11 TERMINATION OF STORAGE AT ~~((WAREHOUSEMAN'S))~~ WAREHOUSE'S OPTION.
12 (1) A ~~((warehouseman may on notifying))~~ warehouse, by giving notice to
13 the person on whose account the goods are held and any other person
14 known to claim an interest in the goods, may require payment of any
15 charges and removal of the goods from the warehouse at the termination
16 of the period of storage fixed by the document~~((r))~~ of title or, if
17 ~~((no))~~ a period is not fixed, within a stated period not less than
18 thirty days after the ~~((notification))~~ warehouse gives notice. If the
19 goods are not removed before the date specified in the ~~((notification))~~
20 notice, the ~~((warehouseman))~~ warehouse may sell them ~~((in accordance~~
21 ~~with the provisions of the section on enforcement of a warehouseman's~~
22 ~~lien-))~~ pursuant to RCW 62A.7-210~~((+))~~.

23 (2) If a ~~((warehouseman))~~ warehouse in good faith believes that
24 ~~((the))~~ goods are about to deteriorate or decline in value to less than
25 the amount of ~~((his))~~ its lien within the time ~~((prescribed))~~ provided
26 in subsection (1) ~~((for notification, advertisement))~~ of this section
27 and ~~((sale))~~ RCW 62A.7-210, the ~~((warehouseman))~~ warehouse may specify
28 in the ~~((notification))~~ notice given under subsection (1) of this
29 section any reasonable shorter time for removal of the goods and ~~((in~~
30 ~~ease))~~, if the goods are not removed, may sell them at public sale held
31 not less than one week after a single advertisement or posting.

32 (3) If, as a result of a quality or condition of the goods of which
33 the ~~((warehouseman had no))~~ warehouse did not have notice at the time
34 of deposit, the goods are a hazard to other property ~~((or to))~~, the
35 warehouse facilities, or ~~((to))~~ other persons, the ~~((warehouseman))~~
36 warehouse may sell the goods at public or private sale without
37 advertisement or posting on reasonable notification to all persons

1 known to claim an interest in the goods. If the ((warehouseman))
2 warehouse, after a reasonable effort, is unable to sell the goods
3 ((he)), it may dispose of them in any lawful manner and ((shall)) does
4 not incur ((no)) liability by reason of ((such)) that disposition.

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

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

14 **Sec. 207.** RCW 62A.7-207 and 1965 ex.s. c 157 s 7-207 are each
15 amended to read as follows:

16 GOODS MUST BE KEPT SEPARATE; FUNGIBLE GOODS. (1) Unless the
17 warehouse receipt provides otherwise ((provides, a warehouseman must)),
18 a warehouse shall keep separate the goods covered by each receipt so as
19 to permit at all times identification and delivery of those goods
20 ((except that)). However, different lots of fungible goods may be
21 commingled.

22 (2) If different lots of fungible goods ((so)) are commingled, the
23 goods are owned in common by the persons entitled thereto and the
24 ((warehouseman)) warehouse is severally liable to each owner for that
25 owner's share. ((Where)) If, because of over-issue, a mass of fungible
26 goods is insufficient to meet all the receipts ((which)) the
27 ((warehouseman)) warehouse has issued against it, the persons entitled
28 include all holders to ((whom)) which overissued receipts have been
29 duly negotiated.

30 **Sec. 208.** RCW 62A.7-208 and 1965 ex.s. c 157 s 7-208 are each
31 amended to read as follows:

32 ALTERED WAREHOUSE RECEIPTS. ((Where)) If a blank in a negotiable
33 tangible warehouse receipt has been filled in without authority, a
34 good-faith purchaser for value and without notice of the ((want)) lack
35 of authority may treat the insertion as authorized. Any other

1 unauthorized alteration leaves any tangible or electronic warehouse
2 receipt enforceable against the issuer according to its original tenor.

3 **Sec. 209.** RCW 62A.7-209 and 1987 c 395 s 1 are each amended to
4 read as follows:

5 LIEN OF ~~((WAREHOUSEMAN))~~ WAREHOUSE. (1) A ~~((warehouseman))~~
6 warehouse has a lien against the bailor on the goods covered by a
7 warehouse receipt or storage agreement or on the proceeds thereof in
8 ~~((his))~~ its possession for charges for storage or transportation ~~((+))~~,
9 including demurrage and terminal charges~~((+))~~, insurance, labor, or
10 other charges, present or future, in relation to the goods, and for
11 expenses necessary for preservation of the goods or reasonably incurred
12 in their sale pursuant to law. If the person on whose account the
13 goods are held is liable for ~~((like))~~ similar charges or expenses in
14 relation to other goods whenever deposited and it is stated in the
15 warehouse receipt or storage agreement that a lien is claimed for
16 charges and expenses in relation to other goods, the ~~((warehouseman))~~
17 warehouse also has a lien against ~~((him))~~ the goods covered by the
18 warehouse receipt or storage agreement or on the proceeds thereof in
19 its possession for ~~((such))~~ those charges and expenses, whether or not
20 the other goods have been delivered by the ~~((warehouseman))~~ warehouse.
21 ~~((But))~~ However, as against a person to ~~((whom))~~ which a negotiable
22 warehouse receipt is duly negotiated, a ~~((warehouseman's))~~ warehouse's
23 lien is limited to charges in an amount or at a rate specified ~~((on))~~
24 in the warehouse receipt or, if no charges are so specified ~~((then))~~,
25 to a reasonable charge for storage of the specific goods covered by the
26 receipt subsequent to the date of the receipt. ~~((A warehouseman's lien~~
27 ~~as provided in this chapter takes priority over all other liens and~~
28 ~~perfected or unperfected security interests.))~~

29 (2) ~~((The warehouseman))~~ A warehouse may also reserve a security
30 interest against the bailor for ~~((a))~~ the maximum amount specified on
31 the receipt for charges other than those specified in subsection (1) of
32 this section, such as for money advanced and interest. ~~((Such a))~~ The
33 security interest is governed by ~~((the Article on Secured Transactions~~
34 ~~(Article 9))~~ chapter 62A.9A RCW.

35 (3) A ~~((warehouseman's))~~ warehouse's lien for charges and expenses
36 under subsection (1) of this section or a security interest under
37 subsection (2) of this section is also effective against any person

1 ((~~who~~)) that so entrusted the bailor with possession of the goods that
2 a pledge of them by ((~~him~~)) the bailor to a good faith purchaser for
3 value would have been valid ((~~but is not effective against a person as~~
4 ~~to whom the document confers no right in the goods covered by it under~~
5 ~~RCW 62A.7-503.~~

6 ~~(4) A warehouseman loses his lien on any goods which he voluntarily~~
7 ~~delivers or which he~~). However, the lien or security interest is not
8 effective against a person that before issuance of a document of title
9 had a legal interest or a perfected security interest in the goods and
10 that did not:

11 (a) Deliver or entrust the goods or any document of title covering
12 the goods to the bailor or the bailor's nominee with:

13 (i) Actual or apparent authority to ship, store, or sell;

14 (ii) Power to obtain delivery under RCW 62A.7-403; or

15 (iii) Power of disposition under RCW 62A.2-403, 62A.2A-304(2),
16 62A.2A-305(2), 62A.9A-320, or 62A.9A-321(c) or other statute or rule of
17 law; or

18 (b) Acquiesce in the procurement by the bailor or its nominee of
19 any document.

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

26 (5) A warehouse loses its lien on any goods that it voluntarily
27 delivers or unjustifiably refuses to deliver.

28 **Sec. 210.** RCW 62A.7-210 and 1965 ex.s. c 157 s 7-210 are each
29 amended to read as follows:

30 ENFORCEMENT OF ((~~WAREHOUSEMAN'S~~)) WAREHOUSE'S LIEN. (1) Except as
31 otherwise provided in subsection (2) of this section, a
32 ((~~warehouseman's~~)) warehouse's lien may be enforced by public or
33 private sale of the goods, in ((~~bulk~~)) bulk or in ((~~parcels~~)) packages,
34 at any time or place and on any terms which are commercially
35 reasonable, after notifying all persons known to claim an interest in
36 the goods. ((~~Such~~)) The notification must include a statement of the
37 amount due, the nature of the proposed sale and the time and place of

1 any public sale. The fact that a better price could have been obtained
2 by a sale at a different time or in a ~~((different))~~ method different
3 from that selected by the ~~((warehouseman))~~ warehouse is not of itself
4 sufficient to establish that the sale was not made in a commercially
5 reasonable manner. The warehouse sells in a commercially reasonable
6 manner if the ~~((warehouseman either))~~ warehouse sells the goods in the
7 usual manner in any recognized market ~~((therefor, or if he))~~ therefore
8 sells at the price current in ~~((such))~~ that market at the time of
9 ~~((his))~~ the sale, or ~~((if he has))~~ otherwise ~~((sold))~~ sells in
10 conformity with commercially reasonable practices among dealers in the
11 type of goods sold~~((, he has sold in a commercially reasonable~~
12 ~~manner))~~. A sale of more goods than apparently necessary to be offered
13 to ~~((insure))~~ ensure satisfaction of the obligation is not commercially
14 reasonable except in cases covered by the preceding sentence.

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

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

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

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

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

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

33 ~~((f))~~ (e) After the expiration of the time given in the
34 notification, an advertisement of the sale must be published once a
35 week for two weeks consecutively in a newspaper of general circulation
36 where the sale is to be held. The advertisement must include a
37 description of the goods, the name of the person on whose account
38 ~~((they))~~ the goods are being held, and the time and place of the sale.

1 The sale must take place at least fifteen days after the first
2 publication. If there is no newspaper of general circulation where the
3 sale is to be held, the advertisement must be posted at least ten days
4 before the sale in not ~~((less))~~ fewer than six conspicuous places in
5 the neighborhood of the proposed sale.

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

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

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

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

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

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

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

33 PART III

34 BILLS OF LADING: SPECIAL PROVISIONS

35 **Sec. 301.** RCW 62A.7-301 and 1965 ex.s. c 157 s 7-301 are each
36 amended to read as follows:

1 LIABILITY FOR NON-RECEIPT OR MISDESCRIPTION; "SAID TO CONTAIN";
2 "SHIPPER'S WEIGHT, LOAD, AND COUNT"; IMPROPER HANDLING. (1) A
3 consignee of a non-negotiable bill (~~(who)~~) of lading, which has given
4 value in good faith, or a holder to (~~(whom)~~) which a negotiable bill
5 has been duly negotiated, relying (~~(in either case)~~) upon the
6 description (~~(therein)~~) of the goods(~~()~~) in the bill or upon the date
7 (~~(therein)~~) shown in the bill, may recover from the issuer damages
8 caused by the misdating of the bill or the nonreceipt or misdescription
9 of the goods, except to the extent that the (~~(document)~~) bill indicates
10 that the issuer does not know whether any part or all of the goods in
11 fact were received or conform to the description, such as (~~(where)~~) in
12 a case in which the description is in terms of marks or labels or kind,
13 quantity, or condition or the receipt or description is qualified by
14 "contents or condition of contents of packages unknown,"(~~()~~) "said to
15 contain,"(~~()~~) "shipper's weight, load, and count," or (~~(the like)~~)
16 words of similar import, if (~~(such)~~) that indication (~~(be)~~) is true.

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

19 (a) The issuer (~~(must)~~) shall count the packages of goods if
20 (~~(package freight)~~) shipped in packages and ascertain the kind and
21 quantity if shipped in bulk (~~(freight. In)~~); and

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

26 (3) (~~(When)~~) If bulk (~~(freight is)~~) goods are loaded by a shipper
27 (~~(who)~~) that makes available to the issuer of a bill of lading adequate
28 facilities for weighing (~~(such freight, an)~~) those goods, the issuer
29 (~~(who is a common carrier must)~~) shall ascertain the kind and quantity
30 within a reasonable time after receiving the (~~(written)~~) shipper's
31 request (~~(of the shipper)~~) in a record to do so. (~~(In such cases)~~) In
32 that case, "shipper's weight" or (~~(other)~~) words of (~~(like purport)~~)
33 similar import are ineffective.

34 (4) The issuer (~~(may)~~) of a bill of lading, by (~~(inserting)~~)
35 including in the bill the words "shipper's weight, load, and count," or
36 (~~(other)~~) words of (~~(like purport)~~) similar import, may indicate that
37 the goods were loaded by the shipper(~~()~~), and, if (~~(such)~~) that
38 statement (~~(be)~~) is true, the issuer (~~(shall)~~) is not (~~(be)~~) liable for

1 damages caused by the improper loading. (~~But their~~) However,
2 omission of such words does not imply liability for (~~such~~) damages
3 caused by improper loading.

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

13 **Sec. 302.** RCW 62A.7-302 and 1965 ex.s. c 157 s 7-302 are each
14 amended to read as follows:

15 THROUGH BILLS OF LADING AND SIMILAR DOCUMENTS OF TITLE. (1) The
16 issuer of a through bill of lading or other document of title embodying
17 an undertaking to be performed in part by (~~persons~~) a person acting
18 as its agent(~~s~~) or by (~~connecting carriers~~) a performing carrier,
19 is liable to (~~anyone~~) any person entitled to recover on the bill or
20 other document for any breach by (~~such other persons or by a~~
21 ~~connecting~~) the other person or the performing carrier of its
22 obligation under the bill or other document (~~but~~). However, to the
23 extent that the bill or other document covers an undertaking to be
24 performed overseas or in territory not contiguous to the continental
25 United States or an undertaking including matters other than
26 transportation, this liability for breach by the other person or the
27 performing carrier may be varied by agreement of the parties.

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

1 (3) The issuer of ~~((such))~~ a through bill of lading or other
2 document ~~((shall be))~~ of title described in subsection (1) of this
3 section is entitled to recover from the ~~((connecting))~~ performing
4 carrier, or ~~((such))~~ other person in possession of the goods when the
5 breach of the obligation under the bill or other document
6 occurred~~((τ))~~:

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

11 (b) The amount of any expense reasonably incurred by ~~((it))~~ the
12 issuer in defending any action ~~((brought))~~ commenced by ~~((anyone))~~ any
13 person entitled to recover on the bill or other document ~~((therefor))~~
14 for the breach.

15 **Sec. 303.** RCW 62A.7-303 and 1965 ex.s. c 157 s 7-303 are each
16 amended to read as follows:

17 DIVERSION; RECONSIGNMENT; CHANGE OF INSTRUCTIONS. (1) Unless the
18 bill of lading otherwise provides, ~~((the))~~ a carrier may deliver the
19 goods to a person or destination other than that stated in the bill or
20 may otherwise dispose of the goods, without liability for misdelivery,
21 on instructions from:

22 (a) The holder of a negotiable bill; ~~((or))~~

23 (b) The consignor on a non-negotiable bill ~~((notwithstanding))~~,
24 even if the consignee has given contrary instructions ~~((from the~~
25 consignee)); ~~((or))~~

26 (c) The consignee on a non-negotiable bill in the absence of
27 contrary instructions from the consignor, if the goods have arrived at
28 the billed destination or if the consignee is in possession of the
29 tangible bill or in control of the electronic bill; or

30 (d) The consignee on a non-negotiable bill, if ~~((he))~~ the consignee
31 is entitled as against the consignor to dispose of ~~((them))~~ the goods.

32 (2) Unless ~~((such))~~ instructions described in subsection (1) of
33 this section are ~~((noted on))~~ included in a negotiable bill of lading,
34 a person to ~~((whom))~~ which the bill is duly negotiated ~~((can))~~ may hold
35 the bailee according to the original terms.

1 **Sec. 304.** RCW 62A.7-304 and 1965 ex.s. c 157 s 7-304 are each
2 amended to read as follows:

3 TANGIBLE BILLS OF LADING IN A SET. (1) Except (~~where~~) as
4 customary in (~~overseas~~) international transportation, a tangible bill
5 of lading (~~must~~) may not be issued in a set of parts. The issuer is
6 liable for damages caused by violation of this subsection.

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

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

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

22 (5) The bailee (~~is obliged to~~) shall deliver in accordance with
23 (~~Part 4 of this Article~~) RCW 62A.7-401 through 62A.7-404 against the
24 first presented part of a tangible bill of lading lawfully (~~drawn~~)
25 issued in a set. (~~Such~~) Delivery in this manner discharges the
26 bailee's obligation on the whole bill.

27 **Sec. 305.** RCW 62A.7-305 and 1965 ex.s. c 157 s 7-305 are each
28 amended to read as follows:

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

33 (2) Upon request of (~~anyone~~) any person entitled as against
34 (~~the~~) a carrier to control the goods while in transit and on
35 surrender of possession or control of any outstanding bill of lading or
36 other receipt covering (~~such~~) the goods, the issuer, subject to RCW

1 62A.7-105, may procure a substitute bill to be issued at any place
2 designated in the request.

3 **Sec. 306.** RCW 62A.7-307 and 1965 ex.s. c 157 s 7-307 are each
4 amended to read as follows:

5 LIEN OF CARRIER. (1) A carrier has a lien on the goods covered by
6 a bill of lading or on the proceeds thereof in its possession for
7 charges ~~((subsequent to))~~ after the date of ~~((its))~~ the carrier's
8 receipt of the goods for storage or transportation ~~((+))~~ , including
9 demurrage and terminal charges~~((+))~~ , and for expenses necessary for
10 preservation of the goods incident to their transportation or
11 reasonably incurred in their sale pursuant to law. ~~((But))~~ However,
12 against a purchaser for value of a negotiable bill of lading , a
13 carrier's lien is limited to charges stated in the bill or the
14 applicable tariffs~~((r))~~ or, if no charges are stated ~~((then to))~~ , a
15 reasonable charge.

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

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

28 **Sec. 307.** RCW 62A.7-308 and 1965 ex.s. c 157 s 7-308 are each
29 amended to read as follows:

30 ENFORCEMENT OF CARRIER'S LIEN. (1) A carrier's lien on goods may
31 be enforced by public or private sale of the goods, in ~~((bloe))~~ bulk or
32 in ~~((parcels))~~ packages, at any time or place and on any terms
33 ~~((which))~~ that are commercially reasonable, after notifying all persons
34 known to claim an interest in the goods. ~~((Such))~~ The notification
35 must include a statement of the amount due, the nature of the proposed
36 sale , and the time and place of any public sale. The fact that a

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

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

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

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

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

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

33 (7) A carrier's lien may be enforced (~~((in accordance with))~~)
34 pursuant to either subsection (1) of this section or the procedure set
35 forth in subsection (2) of RCW 62A.7-210.

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

1 ~~(b))~~ (2) The issuer (~~(may have)~~) violated laws regulating the
2 conduct of (~~(his)~~) its business; (~~(or~~
3 ~~(e))~~ (3) The goods covered by the document were owned by the
4 bailee (~~(at the time)~~) when the document was issued; or
5 ~~((d))~~ (4) The person issuing the document (~~(does not come within~~
6 ~~the definition of warehouseman if it)~~) is not a warehouse but the
7 document purports to be a warehouse receipt.

8 **Sec. 402.** RCW 62A.7-402 and 1965 ex.s. c 157 s 7-402 are each
9 amended to read as follows:

10 DUPLICATE RECEIPT OR BILL; OVERISSUANCE. (~~(Neither)~~) A duplicate
11 (~~(nor)~~) or any other document of title purporting to cover goods
12 already represented by an outstanding document of the same issuer does
13 not confer(~~(s)~~) any right in the goods, except as provided in the case
14 of tangible bills of lading in a set of parts, overissue of documents
15 for fungible goods (~~(and)~~), substitutes for lost, stolen, or destroyed
16 documents, or substitute documents issued pursuant to RCW 62A.7-105.
17 (~~(But)~~) The issuer is liable for damages caused by (~~(his)~~) its
18 overissue or failure to identify a duplicate document (~~(as such)~~) by a
19 conspicuous notation (~~(on its face)~~).

20 **Sec. 403.** RCW 62A.7-403 and 1965 ex.s. c 157 s 7-403 are each
21 amended to read as follows:

22 OBLIGATION OF (~~(WAREHOUSEMAN OR CARRIER)~~) BAILEE TO DELIVER;
23 EXCUSE. (1) (~~(The)~~) A bailee (~~(must)~~) shall deliver the goods to a
24 person entitled under (~~(the)~~) a document (~~(who)~~) of title if the person
25 complies with subsections (2) and (3) of this section, unless and to
26 the extent that the bailee establishes any of the following:

27 (a) Delivery of the goods to a person whose receipt was rightful as
28 against the claimant;

29 (b) Damage to or delay, loss or destruction of the goods for which
30 the bailee is not liable;

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

34 (d) The exercise by a seller of (~~(his)~~) its right to stop delivery
35 pursuant to (~~(the provisions of the Article on Sales)~~) RCW

1 62A.2-705(~~(+)~~) or by a lessor of its right to stop delivery pursuant to
2 RCW 62A.2A-526;

3 (e) A diversion, reconsignment, or other disposition pursuant to
4 (~~(the provisions of this Article ())~~)RCW 62A.7-303(~~()~~ ~~or tariff~~
5 ~~regulating such right)~~);

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

8 (g) Any other lawful excuse.

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

13 (3) Unless (~~(the)~~) a person claiming the goods is (~~(one)~~) a person
14 against (~~(whom)~~) which the document (~~(confers no)~~) of title does not
15 confer a right under RCW 62A.7-503(1)(~~(, he must surrender for~~
16 ~~cancellation or notation of partial deliveries any outstanding~~
17 ~~negotiable document covering the goods, and)~~):

18 (a) The person claiming under a document shall surrender possession
19 or control of any outstanding negotiable document covering the goods
20 for cancellation or indication of partial deliveries; and

21 (b) The bailee (~~(must)~~) shall cancel the document or conspicuously
22 (~~(note)~~) indicate in the document the partial delivery (~~(thereon or~~
23 ~~be)~~) or the bailee is liable to any person to (~~(whom)~~) which the
24 document is duly negotiated.

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

29 **Sec. 404.** RCW 62A.7-404 and 1965 ex.s. c 157 s 7-404 are each
30 amended to read as follows:

31 NO LIABILITY FOR GOOD FAITH DELIVERY PURSUANT TO (~~(RECEIPT OR~~
32 ~~BILL)~~) DOCUMENT OF TITLE. A bailee (~~(who in)~~) that in good faith
33 (~~(including observance of reasonable commercial standards)~~) has
34 received goods and delivered or otherwise disposed of (~~(them)~~) the
35 goods according to the terms of (~~(the)~~) a document of title or pursuant
36 to this article is not liable (~~(therefor. This rule applies even~~
37 ~~though)~~) for the goods even if:

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

4 (2) The person to ~~((whom he))~~ which the bailee delivered the goods
5 ~~((had no))~~ did not have authority to receive ~~((them))~~ the goods.

6 **PART V**

7 **WAREHOUSE RECEIPTS AND BILLS OF LADING: NEGOTIATION AND TRANSFER**

8 **Sec. 501.** RCW 62A.7-501 and 1965 ex.s. c 157 s 7-501 are each
9 amended to read as follows:

10 FORM OF NEGOTIATION AND REQUIREMENTS OF ~~((=))~~DUE NEGOTIATION~~((=))~~.

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

13 (a) If the document's original terms run to the order of a named
14 person, the document is negotiated by ~~((his))~~ the named person's
15 indorsement and delivery. After ~~((his))~~ the named person's indorsement
16 in blank or to bearer, any person ~~((can))~~ may negotiate ~~((it))~~ the
17 document by delivery alone.

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

20 ~~(b) when a document running))~~

21 (b) If the document's original terms run to bearer, it is
22 negotiated by delivery alone.

23 (c) If the document's original terms run to the order of a named
24 person and it is delivered to ~~((him))~~ the named person, the effect is
25 the same as if the document had been negotiated.

26 ~~((3))~~ (d) Negotiation of ((a negotiable)) the document ((of
27 title)) after it has been indorsed to a ~~((specified))~~ named person
28 requires indorsement by the ~~((special indorsee as well as))~~ named
29 person and delivery.

30 ~~((4))~~ (e) A ((negotiable)) document ((of title)) is ((=))duly
31 negotiated((=when)) if it is negotiated in the manner stated in this
32 ~~((section))~~ subsection to a holder ~~((who))~~ that purchases it in good
33 faith, without notice of any defense against or claim to it on the part
34 of any person and for value, unless it is established that the
35 negotiation is not in the regular course of business or financing or

1 involves receiving the document in settlement or payment of a ~~((money))~~
2 monetary obligation.

3 ~~((5) Indorsement of a non negotiable document))~~ (2) The following
4 rules apply to a negotiable electronic document of title:

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

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

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

19 (d) Indorsement of a nonnegotiable document of title neither makes
20 it negotiable nor adds to the transferee's rights.

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

26 **Sec. 502.** RCW 62A.7-502 and 1965 ex.s. c 157 s 7-502 are each
27 amended to read as follows:

28 RIGHTS ACQUIRED BY DUE NEGOTIATION. (1) Subject to ~~((the following~~
29 ~~section and to the provisions of))~~ RCW 62A.7-205 ~~((on fungible goods))~~
30 and 62A.7-503, a holder to ~~((whom))~~ which a negotiable document of
31 title has been duly negotiated acquires thereby:

- 32 (a) Title to the document;
- 33 (b) Title to the goods;
- 34 (c) All rights accruing under the law of agency or estoppel,
35 including rights to goods delivered to the bailee after the document
36 was issued; and

1 (d) The direct obligation of the issuer to hold or deliver the
2 goods according to the terms of the document free of any defense or
3 claim by ~~((him))~~ the issuer except those arising under the terms of the
4 document or under this article~~((-))~~, but in the case of a delivery
5 order, the bailee's obligation accrues only upon the bailee's
6 acceptance of the delivery order and the obligation acquired by the
7 holder is that the issuer and any indorser will procure the acceptance
8 of the bailee.

9 (2) Subject to ~~((the following section))~~ RCW 62A.7-503, title and
10 rights ~~((so))~~ acquired by due negotiation are not defeated by any
11 stoppage of the goods represented by the document of title or by
12 surrender of ~~((such))~~ the goods by the bailee~~((-))~~ and are not impaired
13 even ~~((though))~~ if:

14 (a) The due negotiation or any prior due negotiation constituted a
15 breach of duty ~~((or even though))~~ ;

16 (b) Any person has been deprived of possession of ~~((the))~~ a
17 negotiable tangible document or control of a negotiable electronic
18 document by misrepresentation, fraud, accident, mistake, duress, loss,
19 theft, or conversion~~((-))~~ ; or ~~((even though))~~

20 (c) A previous sale or other transfer of the goods or document has
21 been made to a third person.

22 **Sec. 503.** RCW 62A.7-503 and 2000 c 250 s 9A-814 are each amended
23 to read as follows:

24 DOCUMENT OF TITLE TO GOODS DEFEATED IN CERTAIN CASES. (1) A
25 document of title confers no right in goods against a person ~~((who))~~
26 that before issuance of the document had a legal interest or a
27 perfected security interest in ~~((them and who neither))~~ the goods and
28 that did not:

29 (a) ~~((delivered or entrusted them))~~ Deliver or entrust the goods or
30 any document of title covering ~~((them))~~ the goods to the bailor or
31 ~~((his))~~ the bailor's nominee with:

32 (i) Actual or apparent authority to ship, store, or sell ~~((or with~~
33 ~~))~~ ;

34 (ii) Power to obtain delivery under ~~((this Article -))~~ RCW
35 62A.7-403~~((-))~~ ; or ~~((with))~~

36 (iii) Power of disposition under ~~((this Title -))~~ RCW 62A.2-403

1 (~~and 62A.9A-320~~), 62A.2A-304(2), 62A.2A-305(2), 62A.9-320,
2 62A.9-321(c), or other statute or rule of law; (~~nor~~) or

3 (b) (~~acquiesced~~) Acquiesce in the procurement by the bailor or
4 (~~his~~) its nominee of any document (~~of title~~).

5 (2) Title to goods based upon an unaccepted delivery order is
6 subject to the rights of (~~anyone to whom~~) any person to which a
7 negotiable warehouse receipt or bill of lading covering the goods has
8 been duly negotiated. (~~Such a~~) That title may be defeated under
9 (~~the next section~~) RCW 62A.7-504 to the same extent as the rights of
10 the issuer or a transferee from the issuer.

11 (3) Title to goods based upon a bill of lading issued to a freight
12 forwarder is subject to the rights of (~~anyone to whom~~) any person to
13 which a bill issued by the freight forwarder is duly negotiated(~~+~~
14 ~~but~~). However, delivery by the carrier in accordance with (~~Part 4 of~~
15 ~~this Article~~) RCW 62A.7-401 through 62A.7-404 pursuant to its own bill
16 of lading discharges the carrier's obligation to deliver.

17 **Sec. 504.** RCW 62A.7-504 and 1965 ex.s. c 157 s 7-504 are each
18 amended to read as follows:

19 RIGHTS ACQUIRED IN (~~THE~~) ABSENCE OF DUE NEGOTIATION; EFFECT OF
20 DIVERSION; (~~SELLER'S~~) STOPPAGE OF DELIVERY. (1) A transferee of a
21 document of title, whether negotiable or non-negotiable, to (~~whom~~)
22 which the document has been delivered but not duly negotiated, acquires
23 the title and rights (~~which his~~) that its transferor had or had
24 actual authority to convey.

25 (2) In the case of a transfer of a non-negotiable document of
26 title, until but not after the bailee receives (~~notification~~) notice
27 of the transfer, the rights of the transferee may be defeated:

28 (a) By those creditors of the transferor (~~who~~) which could treat
29 the (~~sale~~) transfer as void under RCW (~~62A.7-402; or~~) 62A.2-402 or
30 62A.2A-308;

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

34 (c) By a lessee from the transferor in ordinary course of business
35 if the bailee has delivered the goods to the lessee or received
36 notification of the lessee's rights; or

1 (d) As against the bailee, by good faith dealings of the bailee
2 with the transferor.

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

9 (4) Delivery of the goods pursuant to a non-negotiable document of
10 title may be stopped by a seller under RCW 62A.2-705~~((, and))~~ or a
11 lessor under RCW 62A.2A-526, subject to the requirements of due
12 notification ~~((there provided))~~ in those statutes. A bailee
13 ~~((honoring))~~ that honors the seller's or lessor's instructions is
14 entitled to be indemnified by the seller or lessor against any
15 resulting loss or expense.

16 **Sec. 505.** RCW 62A.7-505 and 1965 ex.s. c 157 s 7-505 are each
17 amended to read as follows:

18 INDORSER NOT A GUARANTOR FOR OTHER PARTIES. The indorsement of a
19 tangible document of title issued by a bailee does not make the
20 indorser liable for any default by the bailee or ~~((by))~~ previous
21 indorsers.

22 **Sec. 506.** RCW 62A.7-506 and 1965 ex.s. c 157 s 7-506 are each
23 amended to read as follows:

24 DELIVERY WITHOUT INDORSEMENT: RIGHT TO COMPEL INDORSEMENT. The
25 transferee of a negotiable tangible document of title has a
26 specifically enforceable right to have ~~((his))~~ its transferor supply
27 any necessary indorsement but the transfer becomes a negotiation only
28 as of the time the indorsement is supplied.

29 **Sec. 507.** RCW 62A.7-507 and 1965 ex.s. c 157 s 7-507 are each
30 amended to read as follows:

31 WARRANTIES ON NEGOTIATION OR ~~((TRANSFER OF RECEIPT OR BILL))~~
32 DELIVERY OF DOCUMENT OF TITLE. ~~((Where))~~ If a person negotiates or
33 ~~((transfers))~~ delivers a document of title for value, otherwise than as
34 a mere intermediary under ~~((the next following section, then))~~ RCW
35 62A.7-508, unless otherwise agreed ~~((he warrants to his immediate~~

1 ~~purchaser only~~)), the transferor, in addition to any warranty made in
2 selling or leasing the goods, warrants to its immediate purchaser only
3 that:

- 4 (a) ~~((that))~~ The document is genuine; ~~((and))~~
- 5 (b) ~~((that he has no))~~ The transferor does not have knowledge of
6 any fact ~~((which))~~ that would impair ~~((its))~~ the document's validity or
7 worth; and
- 8 (c) ~~((that his))~~ The negotiation or ~~((transfer))~~ delivery is
9 rightful and fully effective with respect to the title to the document
10 and the goods it represents.

11 **Sec. 508.** RCW 62A.7-508 and 1965 ex.s. c 157 s 7-508 are each
12 amended to read as follows:

13 WARRANTIES OF COLLECTING BANK AS TO DOCUMENTS OF TITLE. A
14 collecting bank or other intermediary known to be entrusted with
15 documents of title on behalf of another or with collection of a draft
16 or other claim against delivery of documents warrants by ~~((such))~~ the
17 delivery of the documents only its own good faith and authority~~((-~~
18 ~~This rule applies))~~ even ~~((though))~~ if the collecting bank or other
19 intermediary has purchased or made advances against the claim or draft
20 to be collected.

21 **Sec. 509.** RCW 62A.7-509 and 1965 ex.s. c 157 s 7-509 are each
22 amended to read as follows:

23 ~~((RECEIPT OR BILL: WHEN))~~ ADEQUATE COMPLIANCE WITH COMMERCIAL
24 CONTRACT. ~~((The question))~~ Whether a document of title is adequate to
25 fulfill the obligations of a contract for sale, a contract for lease,
26 or the conditions of a letter of credit is ~~((governed by the Articles~~
27 ~~on Sales (Article 2) and on Letters of Credit (Article 5))~~) determined
28 by chapter 62A.2, 62A.2A, or 62A.5 RCW.

29 **PART VI**
30 **WAREHOUSE RECEIPTS AND BILLS OF LADING: MISCELLANEOUS PROVISIONS**

31 **Sec. 601.** RCW 62A.7-601 and 1965 ex.s. c 157 s 7-601 are each
32 amended to read as follows:

33 LOST ~~((AND MISSING))~~, STOLEN, OR DESTROYED DOCUMENTS OF TITLE. (1)
34 If a document ~~((has been))~~ of title is lost, stolen, or destroyed, a

1 court may order delivery of the goods or issuance of a substitute
2 document and the bailee may without liability to any person comply with
3 ~~((such))~~ the order. If the document was negotiable ~~((the claimant must~~
4 ~~post security approved by the))~~, a court ~~((to indemnify))~~ may not order
5 delivery of the goods or issuance of a substitute document without the
6 claimant's posting security unless it finds that any person ~~((who))~~
7 that may suffer loss as a result of non-surrender of possession or
8 control of the document is adequately protected against the loss. If
9 the document was ~~((not negotiable, such))~~ non-negotiable, the court may
10 require security ~~((may be required at the discretion of the court))~~.
11 The court may also ~~((in its discretion))~~ order payment of the bailee's
12 reasonable costs and ~~((counsel))~~ attorneys' fees in any action under
13 this subsection.

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

24 **Sec. 602.** RCW 62A.7-602 and 1965 ex.s. c 157 s 7-602 are each
25 amended to read as follows:

26 ~~((ATTACHMENT OF))~~ JUDICIAL PROCESS AGAINST GOODS COVERED BY ~~((A))~~
27 NEGOTIABLE DOCUMENT OF TITLE. ~~((Except where the))~~ Unless a document
28 of title was originally issued upon delivery of the goods by a person
29 ~~((who had no))~~ that did not have power to dispose of them, ~~((no))~~ a
30 lien ~~((attaches))~~ does not attach by virtue of any judicial process to
31 goods in the possession of a bailee for which a negotiable document of
32 title is outstanding unless possession or control of the document
33 ~~((be))~~ is first surrendered to the bailee or ~~((its))~~ the document's
34 negotiation is enjoined~~((, and))~~. The bailee ~~((shall))~~ may not be
35 compelled to deliver the goods pursuant to process until possession or
36 control of the document is surrendered to ~~((him or impounded by))~~ the

1 bailee or to the court. (~~One who purchases~~) A purchaser of the
2 document for value without notice of the process or injunction takes
3 free of the lien imposed by judicial process.

4 **Sec. 603.** RCW 62A.7-603 and 1965 ex.s. c 157 s 7-603 are each
5 amended to read as follows:

6 CONFLICTING CLAIMS; INTERPLEADER. If more than one person claims
7 title to or possession of the goods, the bailee is excused from
8 delivery until (~~he~~) the bailee has (~~had~~) a reasonable time to
9 ascertain the validity of the adverse claims or to (~~bring an action to~~
10 ~~compel all claimants to interplead and may compel such~~) commence an
11 action for interpleader. The bailee may assert an interpleader, either
12 in defending an action for non-delivery of the goods, or by original
13 action(~~, whichever is appropriate~~).

14 **PART VII**
15 **MISCELLANEOUS PROVISIONS**

16 **Sec. 701.** RCW 62A.1-201 and 2001 c 32 s 9 are each amended to read
17 as follows:

18 GENERAL DEFINITIONS. Subject to additional definitions contained
19 in the subsequent articles of this title which are applicable to
20 specific articles or parts thereof, and unless the context otherwise
21 requires, in this title:

22 (1) "Action" in the sense of a judicial proceeding includes
23 recoupment, counterclaim, set-off, suit in equity and any other
24 proceedings in which rights are determined.

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

26 (3) "Agreement" means the bargain of the parties in fact as found
27 in their language or by implication from other circumstances including
28 course of dealing or usage of trade or course of performance as
29 provided in this title (RCW 62A.1-205, RCW 62A.2-208, and RCW 62A.2A-
30 207). Whether an agreement has legal consequences is determined by the
31 provisions of this title, if applicable; otherwise by the law of
32 contracts (RCW 62A.1-103). (Compare "Contract".)

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

34 (5) "Bearer" means (~~the~~) a person in control of a negotiable

1 electronic document of title or a person in possession of an
2 instrument, a negotiable tangible document of title, or certificated
3 security payable to bearer or indorsed in blank.

4 (6) "Bill of lading" means a document of title evidencing the
5 receipt of goods for shipment issued by a person engaged in the
6 business of directly or indirectly transporting or forwarding goods(~~(~~
7 ~~and includes an airbill. "Airbill" means a document serving for air~~
8 ~~transportation as a bill of lading does for marine or rail~~
9 ~~transportation, and includes an air consignment note or air waybill)).~~
10 The term does not include a warehouse receipt.

11 (7) "Branch" includes a separately incorporated foreign branch of
12 a bank.

13 (8) "Burden of establishing" a fact means the burden of persuading
14 the triers of fact that the existence of the fact is more probable than
15 its non-existence.

16 (9) "Buyer in ordinary course of business" means a person that buys
17 goods in good faith, without knowledge that the sale violates the
18 rights of another person in the goods, and in the ordinary course from
19 a person, other than a pawnbroker, in the business of selling goods of
20 that kind. A person buys goods in the ordinary course if the sale to
21 the person comports with the usual or customary practices in the kind
22 of business in which the seller is engaged or with the seller's own
23 usual or customary practices. A person that sells oil, gas, or other
24 minerals at the wellhead or minehead is a person in the business of
25 selling goods of that kind. A buyer in ordinary course of business may
26 buy for cash, by exchange of other property, or on secured or unsecured
27 credit, and may acquire goods or documents of title under a pre-
28 existing contract for sale. Only a buyer that takes possession of the
29 goods or has a right to recover the goods from the seller under Article
30 62A.2 RCW may be a buyer in ordinary course of business. A person that
31 acquires goods in a transfer in bulk or as security for or in total or
32 partial satisfaction of a money debt is not a buyer in ordinary course
33 of business.

34 (10) "Conspicuous"(~~(: A term or clause is conspicuous when it is~~
35 ~~so written that a reasonable person against whom it is to operate ought~~
36 ~~to have noticed it. A printed heading in capitals (as: NON NEGOTIABLE~~
37 ~~BILL OF LADING) is conspicuous. Language in the body of a form is~~
38 ~~"conspicuous" if it is in larger or other contrasting type or color.~~

1 ~~But in a telegram any stated term is "conspicuous"))~~, with reference to
2 a term, means so written, displayed, or presented that a reasonable
3 person against which it is to operate ought to have noticed it.
4 Whether a term (~~or clause~~) is "conspicuous" or not is (~~for~~) a
5 decision (~~by~~) for the court. Conspicuous terms include the
6 following:

7 (a) A heading in capitals equal to or greater in size than the
8 surrounding text, or in contrasting type, font, or color to the
9 surrounding text of the same or lesser size; and

10 (b) Language in the body of a record or display in larger type than
11 the surrounding text, or in contrasting type, font, or color to the
12 surrounding text of the same size, or set off from surrounding text of
13 the same size by symbols or other marks that call attention to the
14 language.

15 (11) "Contract" means the total legal obligation which results from
16 the parties' agreement as affected by this title and any other
17 applicable rules of law. (Compare "Agreement".)

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

23 (13) "Defendant" includes a person in the position of defendant in
24 a cross-action or counterclaim.

25 (14) "Delivery" with respect to an electronic document of title
26 means voluntary transfer of control and with respect to instruments,
27 tangible documents of title, chattel paper, or certificated securities
28 means voluntary transfer of possession.

29 (15) "Document of title" (~~includes bill of lading, dock warrant,~~
30 ~~dock receipt, warehouse receipt or order for the delivery of goods, and~~
31 ~~also any other document which~~) means a record that:

32 (a) In the regular course of business or financing is treated as
33 adequately evidencing that the person in possession or control of
34 (~~it~~) the record is entitled to receive, control, hold and dispose of
35 the (~~document~~) record and the goods (~~it~~) the record covers(~~.—To~~
36 be a document of title a document must purport to be issued by or
37 addressed to a bailee and purport)); and

1 (b) Purports to be issued by or addressed to a bailee and to cover
2 goods in the bailee's possession which are either identified or are
3 fungible portions of an identified mass. The term includes a bill of
4 lading, transport document, dock warrant, dock receipt, warehouse
5 receipt, and order for delivery of goods. An "electronic document of
6 title" means a document of title evidenced by a record consisting of
7 information stored in an electronic medium. A "tangible document of
8 title" means a document of title evidenced by a record consisting of
9 information that is inscribed on a tangible medium.

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

11 (17) "Fungible" with respect to goods or securities means goods or
12 securities of which any unit is, by nature or usage of trade, the
13 equivalent of any other like unit. Goods which are not fungible shall
14 be deemed fungible for the purposes of this title to the extent that
15 under a particular agreement or document unlike units are treated as
16 equivalents.

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

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

20 (20) "Holder" (~~((with respect to a negotiable instrument,))~~) means:

21 (a) The person in possession ((if the)) of a negotiable instrument
22 that is payable either to bearer or((, in the case of an instrument
23 payable)) to an identified person((, if the identified)) that is the
24 person ((is)) in possession((. "Holder" with respect to a document of
25 title means));

26 (b) The person in possession of a negotiable tangible document of
27 title if the goods are deliverable either to bearer or to the order of
28 the person in possession; or

29 (c) The person in control of a negotiable electronic document of
30 title.

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

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

37 (23) A person is "insolvent" who either has ceased to pay his or

1 her debts in the ordinary course of business or cannot pay his or her
2 debts as they become due or is insolvent within the meaning of the
3 federal bankruptcy law.

4 (24) "Money" means a medium of exchange authorized or adopted by a
5 domestic or foreign government and includes a monetary unit of account
6 established by an intergovernmental organization or by agreement
7 between two or more nations.

8 (25) Subject to subsection (27) of this section, a person has
9 "notice" of a fact (~~(when)~~) if the person:

- 10 (a) (~~(he or she)~~) Has actual knowledge of it; (~~(or)~~)
- 11 (b) (~~(he or she)~~) Has received a notice or notification of it; or
- 12 (c) From all the facts and circumstances known to (~~(him or her)~~)
13 the person at the time in question (~~(he or she)~~), has reason to know
14 that it exists.

15 A person "knows" or has "knowledge" of a fact when (~~(he or she)~~) the
16 person has actual knowledge of it. "Discover" or "learn" or a word or
17 phrase of similar import refers to knowledge rather than to reason to
18 know. The time and circumstances under which a notice or notification
19 may cease to be effective are not determined by this title.

20 (26) A person "notifies" or "gives" a notice or notification to
21 another person by taking such steps as may be reasonably required to
22 inform the other person in ordinary course whether or not (~~(such)~~) the
23 other person actually comes to know of it. Subject to subsection (27)
24 of this section, a person "receives" a notice or notification when:

- 25 (a) It comes to (~~(his or her)~~) that person's attention; or
- 26 (b) It is duly delivered in a form reasonable under the
27 circumstances at the place of business through which the contract was
28 made or at (~~(any other place)~~) another location held out by (~~(him or~~
29 ~~her)~~) that person as the place for receipt of such communications.

30 (27) Notice, knowledge or a notice or notification received by an
31 organization is effective for a particular transaction from the time
32 when it is brought to the attention of the individual conducting that
33 transaction, and in any event from the time when it would have been
34 brought to (~~(his or her)~~) the individual's attention if the
35 organization had exercised due diligence. An organization exercises
36 due diligence if it maintains reasonable routines for communicating
37 significant information to the person conducting the transaction and
38 there is reasonable compliance with the routines. Due diligence does

1 not require an individual acting for the organization to communicate
2 information unless such communication is part of (~~his or her~~) the
3 individual's regular duties or (~~unless he or she~~) the individual has
4 reason to know of the transaction and that the transaction would be
5 materially affected by the information.

6 (28) "Organization" includes a corporation, government or
7 governmental subdivision or agency, business trust, estate, trust,
8 partnership or association, two or more persons having a joint or
9 common interest, or any other legal or commercial entity.

10 (29) "Party", as distinct from "third party", means a person who
11 has engaged in a transaction or made an agreement within this title.

12 (30) "Person" includes an individual or an organization (See RCW
13 62A.1-102).

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

17 (32) "Purchase" includes taking by sale, discount, negotiation,
18 mortgage, pledge, lien, security interest, issue or re-issue, gift or
19 any other voluntary transaction creating an interest in property.

20 (33) "Purchaser" means a person who takes by purchase.

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

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

26 (36) "Rights" includes remedies.

27 (37) "Security interest" means an interest in personal property or
28 fixtures which secures payment or performance of an obligation, except
29 for lease-purchase agreements under chapter 63.19 RCW. The term also
30 includes any interest of a consignor and a buyer of accounts, chattel
31 paper, a payment intangible, or a promissory note in a transaction that
32 is subject to Article 9A. The special property interest of a buyer of
33 goods on identification of such goods to a contract for sale under RCW
34 62A.2-401 is not a "security interest", but a buyer may also acquire a
35 "security interest" by complying with Article 9A. Except as otherwise
36 provided in RCW 62A.2-505, the right of a seller or lessor of goods
37 under Article 2 or 2A to retain or acquire possession of the goods is
38 not a "security interest," but a seller or lessor may also acquire a

1 "security interest" by complying with Article 9A. The retention or
2 reservation of title by a seller of goods notwithstanding shipment or
3 delivery to the buyer (RCW 62A.2-401) is limited in effect to a
4 reservation of a "security interest."

5 Whether a transaction creates a lease or security interest is
6 determined by the facts of each case. However, a transaction creates
7 a security interest if the consideration the lessee is to pay the
8 lessor for the right to possession and use of the goods is an
9 obligation for the term of the lease not subject to termination by the
10 lessee, and:

11 (a) The original term of the lease is equal to or greater than the
12 remaining economic life of the goods;

13 (b) The lessee is bound to renew the lease for the remaining
14 economic life of the goods or is bound to become the owner of the
15 goods;

16 (c) The lessee has an option to renew the lease for the remaining
17 economic life of the goods for no additional consideration or nominal
18 additional consideration upon compliance with the lease agreement; or

19 (d) The lessee has an option to become the owner of the goods for
20 no additional consideration or nominal additional consideration upon
21 compliance with the lease agreement.

22 A transaction does not create a security interest merely because it
23 provides that:

24 (a) The present value of the consideration the lessee is obligated
25 to pay the lessor for the right to possession and use of the goods is
26 substantially equal to or is greater than the fair market value of the
27 goods at the time the lease is entered into;

28 (b) The lessee assumes risk of loss of the goods, or agrees to pay
29 taxes, insurance, filing, recording, or registration fees, or service
30 or maintenance costs with respect to the goods;

31 (c) The lessee has an option to renew the lease or to become the
32 owner of the goods;

33 (d) The lessee has an option to renew the lease for a fixed rent
34 that is equal to or greater than the reasonably predictable fair market
35 rent for the use of the goods for the term of the renewal at the time
36 the option is to be performed;

37 (e) The lessee has an option to become the owner of the goods for

1 a fixed price that is equal to or greater than the reasonably
2 predictable fair market value of the goods at the time the option is to
3 be performed; or

4 (f) The amount of rental payments may or will be increased or
5 decreased by reference to the amount realized by the lessor upon sale
6 or disposition of the goods.

7 For purposes of this subsection (37):

8 (a) Additional consideration is not nominal if (i) when the option
9 to renew the lease is granted to the lessee the rent is stated to be
10 the fair market rent for the use of the goods for the term of the
11 renewal determined at the time the option is to be performed, or (ii)
12 when the option to become the owner of the goods is granted to the
13 lessee the price is stated to be the fair market value of the goods
14 determined at the time the option is to be performed. Additional
15 consideration is nominal if it is less than the lessee's reasonably
16 predictable cost of performing under the lease agreement if the option
17 is not exercised;

18 (b) "Reasonably predictable" and "remaining economic life of the
19 goods" are to be determined with reference to the facts and
20 circumstances at the time the transaction is entered into; and

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

28 (38) "Send" in connection with (~~any~~) a writing, record, or notice
29 means:

30 (a) To deposit in the mail or deliver for transmission by any other
31 usual means of communication with postage or cost of transmission
32 provided for and properly addressed and, in the case of an instrument
33 to an address specified thereon or otherwise agreed, or if there ((be))
34 is none to any address reasonable under the circumstances((~~—The~~
35 receipt of any writing)); or

36 (b) In any other way to cause to be received any record or notice
37 within the time ((at which)) it would have arrived if properly sent
38 ((has the effect of a proper sending)).

1 (39) "Signed" includes any symbol executed or adopted by a party
2 with present intention to authenticate a writing.

3 (40) "Surety" includes guarantor.

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

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

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

10 (44) "Value". Except as otherwise provided with respect to
11 negotiable instruments and bank collections (RCW 62A.3-303, RCW 62A.4-
12 210, and RCW 62A.4-211) a person gives "value" for rights if he or she
13 acquires them:

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

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

20 (c) By accepting delivery pursuant to a pre-existing contract for
21 purchase; or

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

24 (45) "Warehouse receipt" means a (~~receipt~~) document of title
25 issued by a person engaged in the business of storing goods for hire.

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

28 **Sec. 702.** RCW 62A.1-201 and 2001 c 32 s 9 are each amended to read
29 as follows:

30 GENERAL DEFINITIONS. Unless the context otherwise requires, words
31 or phrases defined in this section, or in the additional definitions
32 contained in other articles of the Uniform Commercial Code that apply
33 to particular articles or parts thereof, have the meanings stated.

34 Subject to (~~additional~~) definitions contained in (~~the~~
35 ~~subsequent~~) other articles of (this Title which are applicable to
36 ~~specific~~) the Uniform Commercial Code that apply to particular

1 ~~articles or parts thereof((, and unless the context otherwise requires,~~
2 ~~in this Title))):~~

3 (1) "Action" in the sense of a judicial proceeding includes
4 recoupment, counterclaim, set-off, suit in equity and any other
5 proceedings in which rights are determined.

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

7 (3) "Agreement" means the bargain of the parties in fact as found
8 in their language or by implication from other circumstances including
9 course of dealing or usage of trade or course of performance as
10 provided in this title (RCW 62A.1-205, RCW 62A.2-208, and RCW 62A.2A-
11 207). Whether an agreement has legal consequences is determined by the
12 provisions of this title, if applicable; otherwise by the law of
13 contracts (RCW 62A.1-103). (Compare "Contract".)

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

15 (5) "Bearer" means ~~((the))~~ a person in control of a negotiable
16 electronic document of title or a person in possession of ((a)) a
17 negotiable instrument, negotiable tangible document of title, or
18 certificated security that is payable to bearer or indorsed in blank.

19 (6) "Bill of lading" means a document of title evidencing the
20 receipt of goods for shipment issued by a person engaged in the
21 business of directly or indirectly transporting or forwarding goods(~~(,~~
22 ~~and includes an airbill. "Airbill" means a document serving for air~~
23 ~~transportation as a bill of lading does for marine or rail~~
24 ~~transportation, and includes an air consignment note or air waybill)).~~
25 The term does not include a warehouse receipt.

26 (7) "Branch" includes a separately incorporated foreign branch of
27 a bank.

28 (8) "Burden of establishing" a fact means the burden of persuading
29 the triers of fact that the existence of the fact is more probable than
30 its non-existence.

31 (9) "Buyer in ordinary course of business" means a person that buys
32 goods in good faith, without knowledge that the sale violates the
33 rights of another person in the goods, and in the ordinary course from
34 a person, other than a pawnbroker, in the business of selling goods of
35 that kind. A person buys goods in the ordinary course if the sale to
36 the person comports with the usual or customary practices in the kind
37 of business in which the seller is engaged or with the seller's own
38 usual or customary practices. A person that sells oil, gas, or other

1 minerals at the wellhead or minehead is a person in the business of
2 selling goods of that kind. A buyer in ordinary course of business may
3 buy for cash, by exchange of other property, or on secured or unsecured
4 credit, and may acquire goods or documents of title under a pre-
5 existing contract for sale. Only a buyer that takes possession of the
6 goods or has a right to recover the goods from the seller under Article
7 62A.2 RCW may be a buyer in ordinary course of business. A person that
8 acquires goods in a transfer in bulk or as security for or in total or
9 partial satisfaction of a money debt is not a buyer in ordinary course
10 of business.

11 (10) "Conspicuous": A term or clause is conspicuous when it is so
12 written that a reasonable person against whom it is to operate ought to
13 have noticed it. A printed heading in capitals (as: NON-NEGOTIABLE
14 BILL OF LADING) is conspicuous. Language in the body of a form is
15 "conspicuous" if it is in larger or other contrasting type or color.
16 But in a telegram any stated term is "conspicuous". Whether a term or
17 clause is "conspicuous" or not is for decision by the court.

18 (11) "Contract" means the total legal obligation which results from
19 the parties' agreement as affected by this title and any other
20 applicable rules of law. (Compare "Agreement".)

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

26 (13) "Defendant" includes a person in the position of defendant in
27 a cross-action or counterclaim.

28 (14) "Delivery" with respect to an electronic document of title
29 means voluntary transfer of control and with respect to an
30 instrument((s)), a tangible document((s)) of title, or chattel paper((
31 or certificated securities)) means voluntary transfer of possession.

32 (15) "Document of title" (~~((includes bill of lading, dock warrant,~~
33 ~~dock receipt, warehouse receipt or order for the delivery of goods, and~~
34 ~~also any other document which)) means a record that:~~

35 (a) In the regular course of business or financing is treated as
36 adequately evidencing that the person in possession or control of
37 ((it)) the record is entitled to receive, control, hold, and dispose of
38 the ((document)) record and the goods ((it)) the record covers((. — To

1 ~~be a document of title a document must purport to be issued by or~~
2 ~~addressed to a bailee and purport to cover goods in the bailee's~~
3 ~~possession which are either identified or are fungible portions of an~~
4 ~~identified mass)); and~~

5 (b) Purports to be issued by or addressed to a bailee and to cover
6 goods in the bailee's possession which are either identified or are
7 fungible portions of an identified mass. The term includes a bill of
8 lading, transport document, dock warrant, dock receipt, warehouse
9 receipt, and order for delivery of goods. An electronic document of
10 title means a document of title evidenced by a record consisting of
11 information stored in an electronic medium. A tangible document of
12 title means a document of title evidenced by a record consisting of
13 information that is inscribed on a tangible medium.

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

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

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

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

24 (20) "Holder" with respect to a negotiable instrument, means:

25 (a) The person in possession ((if the)) of a negotiable instrument
26 that is payable either to bearer or(, in the case of an instrument
27 payable to an identified person, if the)) to an identified person that
28 is the person in possession((".—"Holder" with respect to));

29 (b) The person in possession of a negotiable tangible document of
30 title ((means the person in possession)) if the goods are deliverable
31 either to bearer or to the order of the person in possession; or

32 (c) The person in control of a negotiable electronic document of
33 title.

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

37 (22) "Insolvency proceedings" includes any assignment for the

1 benefit of creditors or other proceedings intended to liquidate or
2 rehabilitate the estate of the person involved.

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

7 (24) "Money" means a medium of exchange authorized or adopted by a
8 domestic or foreign government and includes a monetary unit of account
9 established by an intergovernmental organization or by agreement
10 between two or more nations.

11 (25) A person has "notice" of a fact when:
12 (a) He or she has actual knowledge of it; (~~(e)~~)
13 (b) He or she has received a notice or notification of it; or
14 (c) From all the facts and circumstances known to him or her at the
15 time in question he or she has reason to know that it exists.

16 A person "knows" or has "knowledge" of a fact when he or she has actual
17 knowledge of it. "Discover" or "learn" or a word or phrase of similar
18 import refers to knowledge rather than to reason to know. The time and
19 circumstances under which a notice or notification may cease to be
20 effective are not determined by this title.

21 (26) A person "notifies" or "gives" a notice or notification to
22 another by taking such steps as may be reasonably required to inform
23 the other in ordinary course whether or not such other actually comes
24 to know of it. A person "receives" a notice or notification when:

25 (a) It comes to his or her attention; or
26 (b) It is duly delivered at the place of business through which the
27 contract was made or at any other place held out by him or her as the
28 place for receipt of such communications.

29 (27) Notice, knowledge or a notice or notification received by an
30 organization is effective for a particular transaction from the time
31 when it is brought to the attention of the individual conducting that
32 transaction, and in any event from the time when it would have been
33 brought to his or her attention if the organization had exercised due
34 diligence. An organization exercises due diligence if it maintains
35 reasonable routines for communicating significant information to the
36 person conducting the transaction and there is reasonable compliance
37 with the routines. Due diligence does not require an individual acting
38 for the organization to communicate information unless such

1 communication is part of his or her regular duties or unless he or she
2 has reason to know of the transaction and that the transaction would be
3 materially affected by the information.

4 (28) "Organization" includes a corporation, government or
5 governmental subdivision or agency, business trust, estate, trust,
6 partnership or association, two or more persons having a joint or
7 common interest, or any other legal or commercial entity.

8 (29) "Party", as distinct from "third party", means a person who
9 has engaged in a transaction or made an agreement within this title.

10 (30) "Person" includes an individual or an organization (See RCW
11 62A.1-102).

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

15 (32) "Purchase" includes taking by sale, discount, negotiation,
16 mortgage, pledge, lien, security interest, issue or re-issue, gift or
17 any other voluntary transaction creating an interest in property.

18 (33) "Purchaser" means a person who takes by purchase.

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

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

24 (36) "Rights" includes remedies.

25 (37) "Security interest" means an interest in personal property or
26 fixtures which secures payment or performance of an obligation, except
27 for lease-purchase agreements under chapter 63.19 RCW. The term also
28 includes any interest of a consignor and a buyer of accounts, chattel
29 paper, a payment intangible, or a promissory note in a transaction that
30 is subject to Article 9A. The special property interest of a buyer of
31 goods on identification of such goods to a contract for sale under RCW
32 62A.2-401 is not a "security interest", but a buyer may also acquire a
33 "security interest" by complying with Article 9A. Except as otherwise
34 provided in RCW 62A.2-505, the right of a seller or lessor of goods
35 under Article 2 or 2A to retain or acquire possession of the goods is
36 not a "security interest," but a seller or lessor may also acquire a
37 "security interest" by complying with Article 9A. The retention or

1 reservation of title by a seller of goods notwithstanding shipment or
2 delivery to the buyer (RCW 62A.2-401) is limited in effect to a
3 reservation of a "security interest."

4 Whether a transaction creates a lease or security interest is
5 determined by the facts of each case. However, a transaction creates
6 a security interest if the consideration the lessee is to pay the
7 lessor for the right to possession and use of the goods is an
8 obligation for the term of the lease not subject to termination by the
9 lessee, and:

10 (a) The original term of the lease is equal to or greater than the
11 remaining economic life of the goods;

12 (b) The lessee is bound to renew the lease for the remaining
13 economic life of the goods or is bound to become the owner of the
14 goods;

15 (c) The lessee has an option to renew the lease for the remaining
16 economic life of the goods for no additional consideration or nominal
17 additional consideration upon compliance with the lease agreement; or

18 (d) The lessee has an option to become the owner of the goods for
19 no additional consideration or nominal additional consideration upon
20 compliance with the lease agreement.

21 A transaction does not create a security interest merely because it
22 provides that:

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

27 (b) The lessee assumes risk of loss of the goods, or agrees to pay
28 taxes, insurance, filing, recording, or registration fees, or service
29 or maintenance costs with respect to the goods;

30 (c) The lessee has an option to renew the lease or to become the
31 owner of the goods;

32 (d) The lessee has an option to renew the lease for a fixed rent
33 that is equal to or greater than the reasonably predictable fair market
34 rent for the use of the goods for the term of the renewal at the time
35 the option is to be performed;

36 (e) The lessee has an option to become the owner of the goods for
37 a fixed price that is equal to or greater than the reasonably

1 predictable fair market value of the goods at the time the option is to
2 be performed; or

3 (f) The amount of rental payments may or will be increased or
4 decreased by reference to the amount realized by the lessor upon sale
5 or disposition of the goods.

6 For purposes of this subsection (37):

7 (a) Additional consideration is not nominal if (i) when the option
8 to renew the lease is granted to the lessee the rent is stated to be
9 the fair market rent for the use of the goods for the term of the
10 renewal determined at the time the option is to be performed, or (ii)
11 when the option to become the owner of the goods is granted to the
12 lessee the price is stated to be the fair market value of the goods
13 determined at the time the option is to be performed. Additional
14 consideration is nominal if it is less than the lessee's reasonably
15 predictable cost of performing under the lease agreement if the option
16 is not exercised;

17 (b) "Reasonably predictable" and "remaining economic life of the
18 goods" are to be determined with reference to the facts and
19 circumstances at the time the transaction is entered into; and

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

27 (38) "Send" in connection with any writing or notice means to
28 deposit in the mail or deliver for transmission by any other usual
29 means of communication with postage or cost of transmission provided
30 for and properly addressed and in the case of an instrument to an
31 address specified thereon or otherwise agreed, or if there be none to
32 any address reasonable under the circumstances. The receipt of any
33 writing or notice within the time at which it would have arrived if
34 properly sent has the effect of a proper sending.

35 (39) "Signed" includes any symbol executed or adopted by a party
36 with present intention to authenticate a writing.

37 (40) "Surety" includes guarantor.

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

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

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

7 (44) "Value". Except as otherwise provided with respect to
8 negotiable instruments and bank collections (RCW 62A.3-303, RCW 62A.4-
9 210, and RCW 62A.4-211) a person gives "value" for rights if he or she
10 acquires them:

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

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

17 (c) By accepting delivery pursuant to a pre-existing contract for
18 purchase; or

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

21 (45) "Warehouse receipt" means a (~~(receipt)~~) document of title
22 issued by a person engaged in the business of storing goods for hire.

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

25 **PART VIII**

26 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 2**

27 **Sec. 801.** RCW 62A.2-103 and 2000 c 250 s 9A-803 are each amended
28 to read as follows:

29 DEFINITIONS AND INDEX OF DEFINITIONS. (1) In this article unless
30 the context otherwise requires:

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

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

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

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

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

3	"Acceptance."	RCW 62A.2-606.
4	"Banker's credit."	RCW 62A.2-325.
5	"Between merchants."	RCW 62A.2-104.
6	"Cancellation."	RCW 62A.2-106(4).
7	"Commercial unit."	RCW 62A.2-105.
8	"Confirmed credit."	RCW 62A.2-325.
9	"Conforming to contract."	RCW 62A.2-106.
10	"Contract for sale."	RCW 62A.2-106.
11	"Cover."	RCW 62A.2-712.
12	"Entrusting."	RCW 62A.2-403.
13	"Financing agency."	RCW 62A.2-104.
14	"Future goods."	RCW 62A.2-105.
15	"Goods."	RCW 62A.2-105.
16	"Identification."	RCW 62A.2-501.
17	"Installment contract."	RCW 62A.2-612.
18	"Letter of credit."	RCW 62A.2-325.
19	"Lot."	RCW 62A.2-105.
20	"Merchant."	RCW 62A.2-104.
21	"Overseas."	RCW 62A.2-323.
22	"Person in position of	
23	seller."	RCW 62A.2-707.
24	"Present sale."	RCW 62A.2-106.
25	"Sale."	RCW 62A.2-106.
26	"Sale on approval."	RCW 62A.2-326.
27	"Sale or return."	RCW 62A.2-326.
28	"Termination."	RCW 62A.2-106.

29 (3) "Control" as provided in RCW 62A.7-106 and the following
30 definitions in other articles apply to this article:

31	"Check."	RCW 62A.3-104.
32	"Consignee."	RCW 62A.7-102.
33	"Consignor."	RCW 62A.7-102.

1 "Consumer goods." RCW 62A.9A-102.
2 "Dishonor." RCW 62A.3-502.
3 "Draft." RCW 62A.3-104.

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

7 **Sec. 802.** RCW 62A.2-104 and 1965 ex.s. c 157 s 2-104 are each
8 amended to read as follows:

9 DEFINITIONS: "MERCHANT"; "BETWEEN MERCHANTS"; "FINANCING
10 AGENCY."~~((+))~~ (1) "Merchant" means a person who deals in goods of the
11 kind or otherwise by his or her occupation holds himself or herself out
12 as having knowledge or skill peculiar to the practices or goods
13 involved in the transaction or to whom such knowledge or skill may be
14 attributed by his or her employment of an agent or broker or other
15 intermediary who by his or her occupation holds himself or herself out
16 as having such knowledge or skill.

17 (2) "Financing agency" means a bank, finance company or other
18 person who in the ordinary course of business makes advances against
19 goods or documents of title or who by arrangement with either the
20 seller or the buyer intervenes in ordinary course to make or collect
21 payment due or claimed under the contract for sale, as by purchasing or
22 paying the seller's draft or making advances against it or by merely
23 taking it for collection whether or not documents of title accompany or
24 are associated with the draft. "Financing agency" includes also a bank
25 or other person who similarly intervenes between persons who are in the
26 position of seller and buyer in respect to the goods (RCW 62A.2-707).

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

30 **Sec. 803.** RCW 62A.2-308 and 1965 ex.s. c 157 s 2-308 are each
31 amended to read as follows:

32 ABSENCE OF SPECIFIED PLACE FOR DELIVERY. Unless otherwise agreed
33 ~~((+))~~ (1) The place for delivery of goods is the seller's place
34 of business or if he or she has none his or her residence; but
35 ~~((+))~~ (2) In a contract for sale of identified goods which to the

1 knowledge of the parties at the time of contracting are in some other
2 place, that place is the place for their delivery; and
3 ~~((+e+))~~ (3) Documents of title may be delivered through customary
4 banking channels.

5 **Sec. 804.** RCW 62A.2-310 and 1965 ex.s. c 157 s 2-310 are each
6 amended to read as follows:

7 OPEN TIME FOR PAYMENT OR RUNNING OF CREDIT; AUTHORITY TO SHIP UNDER
8 RESERVATION. Unless otherwise agreed:

9 ~~((+a+))~~ (1) Payment is due at the time and place at which the buyer
10 is to receive the goods even though the place of shipment is the place
11 of delivery; and

12 ~~((+b+))~~ (2) If the seller is authorized to send the goods he or she
13 may ship them under reservation, and may tender the documents of title,
14 but the buyer may inspect the goods after their arrival before payment
15 is due unless such inspection is inconsistent with the terms of the
16 contract (RCW 62A.2-513); and

17 ~~((+e+))~~ (3) If delivery is authorized and made by way of documents
18 of title otherwise than by subsection ~~((+b+))~~ (2) of this section then
19 payment is due regardless of where the goods are to be received (a) at
20 the time and place at which the buyer is to receive delivery of the
21 tangible documents ~~((regardless of where the goods are to be received))~~
22 or (b) at the time the buyer is to receive delivery of the electronic
23 documents and at the seller's place of business or if none, the
24 seller's residence; and

25 ~~((+d+))~~ (4) Where the seller is required or authorized to ship the
26 goods on credit the credit period runs from the time of shipment but
27 post-dating the invoice or delaying its dispatch will correspondingly
28 delay the starting of the credit period.

29 **Sec. 805.** RCW 62A.2-323 and 1965 ex.s. c 157 s 2-323 are each
30 amended to read as follows:

31 FORM OF BILL OF LADING REQUIRED IN OVERSEAS SHIPMENT; "OVERSEAS."

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

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

7 (a) Due tender of a single part is acceptable within the provisions
8 of this article on cure of improper delivery (subsection (1) of RCW
9 62A.2-508); and

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

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

18 **Sec. 806.** RCW 62A.2-401 and 1965 ex.s. c 157 s 2-401 are each
19 amended to read as follows:

20 PASSING OF TITLE; RESERVATION FOR SECURITY; LIMITED APPLICATION OF
21 THIS SECTION. Each provision of this article with regard to the
22 rights, obligations and remedies of the seller, the buyer, purchasers
23 or other third parties applies irrespective of title to the goods
24 except where the provision refers to such title. Insofar as situations
25 are not covered by the other provisions of this article and matters
26 concerning title become material the following rules apply:

27 (1) Title to goods cannot pass under a contract for sale prior to
28 their identification to the contract (RCW 62A.2-501), and unless
29 otherwise explicitly agreed the buyer acquires by their identification
30 a special property as limited by this title. Any retention or
31 reservation by the seller of the title (property) in goods shipped or
32 delivered to the buyer is limited in effect to a reservation of a
33 security interest. Subject to these provisions and to the provisions
34 of the Article on Secured Transactions (~~((Article 9))~~ chapter 62A.9
35 RCW), title to goods passes from the seller to the buyer in any manner
36 and on any conditions explicitly agreed on by the parties.

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

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

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

13 (3) Unless otherwise explicitly agreed where delivery is to be made
14 without moving the goods((τ)):

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

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

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

26 **Sec. 807.** RCW 62A.2-503 and 1965 ex.s. c 157 s 2-503 are each
27 amended to read as follows:

28 MANNER OF SELLER'S TENDER OF DELIVERY. (1) Tender of delivery
29 requires that the seller put and hold conforming goods at the buyer's
30 disposition and give the buyer any notification reasonably necessary to
31 enable him or her to take delivery. The manner, time and place for
32 tender are determined by the agreement and this article, and in
33 particular:

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

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

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

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

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

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

14 (b) Tender to the buyer of a non-negotiable document of title or of
15 a (~~written direction to~~) record directing the bailee to deliver is
16 sufficient tender unless the buyer seasonably objects, and except as
17 otherwise provided in chapter 62A.9 RCW, receipt by the bailee of
18 notification of the buyer's rights fixes those rights as against the
19 bailee and all third persons; but risk of loss of the goods and of any
20 failure by the bailee to honor the non-negotiable document of title or
21 to obey the direction remains on the seller until the buyer has had a
22 reasonable time to present the document or direction, and a refusal by
23 the bailee to honor the document or to obey the direction defeats the
24 tender.

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

26 (a) He or she must tender all such documents in correct form,
27 except as provided in this article with respect to bills of lading in
28 a set (subsection (2) of RCW 62A.2-323); and

29 (b) Tender through customary banking channels is sufficient and
30 dishonor of a draft accompanying or associated with the documents
31 constitutes non-acceptance or rejection.

32 **Sec. 808.** RCW 62A.2-505 and 1965 ex.s. c 157 s 2-505 are each
33 amended to read as follows:

34 SELLER'S SHIPMENT UNDER RESERVATION. (1) Where the seller has
35 identified goods to the contract by or before shipment:

36 (a) His or her procurement of a negotiable bill of lading to his or
37 her own order or otherwise reserves in him or her a security interest

1 in the goods. His or her procurement of the bill to the order of a
2 financing agency or of the buyer indicates in addition only the
3 seller's expectation of transferring that interest to the person named.

4 (b) A non-negotiable bill of lading to himself or herself or his or
5 her nominee reserves possession of the goods as security but except in
6 a case of conditional delivery (subsection (2) of RCW 62A.2-507) a non-
7 negotiable bill of lading naming the buyer as consignee reserves no
8 security interest even though the seller retains possession or control
9 of the bill of lading.

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

16 **Sec. 809.** RCW 62A.2-506 and 1965 ex.s. c 157 s 2-506 are each
17 amended to read as follows:

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

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

30 **Sec. 810.** RCW 62A.2-509 and 1965 ex.s. c 157 s 2-509 are each
31 amended to read as follows:

32 RISK OF LOSS IN THE ABSENCE OF BREACH. (1) Where the contract
33 requires or authorizes the seller to ship the goods by carrier:

34 (a) If it does not require him or her to deliver them at a
35 particular destination, the risk of loss passes to the buyer when the

1 goods are duly delivered to the carrier even though the shipment is
2 under reservation (RCW 62A.2-505); but

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

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

10 (a) On his or her receipt of possession or control a negotiable
11 document of title covering the goods; or

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

14 (c) After his or her receipt of possession or control a non-
15 negotiable document of title or other (~~written~~) direction to deliver
16 in a record, as provided in subsection (4)(b) of RCW 62A.2-503.

17 (3) In any case not within subsection (1) or (2) of this section,
18 the risk of loss passes to the buyer on his or her receipt of the goods
19 if the seller is a merchant; otherwise the risk passes to the buyer on
20 tender of delivery.

21 (4) The provisions of this section are subject to contrary
22 agreement of the parties and to the provisions of this article on sale
23 on approval (RCW 62A.2-327) and on effect of breach on risk of loss
24 (RCW 62A.2-510).

25 **Sec. 811.** RCW 62A.2-605 and 1965 ex.s. c 157 s 2-605 are each
26 amended to read as follows:

27 WAIVER OF BUYER'S OBJECTIONS BY FAILURE TO PARTICULARIZE. (1) The
28 buyer's failure to state in connection with rejection a particular
29 defect which is ascertainable by reasonable inspection precludes him or
30 her from relying on the unstated defect to justify rejection or to
31 establish breach:

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

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

36 (2) Payment against documents made without reservation of rights

1 precludes recovery of the payment for defects apparent (~~on the face~~
2 ~~of~~) in the documents.

3 **Sec. 812.** RCW 62A.2-705 and 1965 ex.s. c 157 s 2-705 are each
4 amended to read as follows:

5 SELLER'S STOPPAGE OF DELIVERY IN TRANSIT OR OTHERWISE. (1) The
6 seller may stop delivery of goods in the possession of a carrier or
7 other bailee when he or she discovers the buyer to be insolvent (RCW
8 62A.2-702) and may stop delivery of carload, truckload, planeload or
9 larger shipments of express or freight when the buyer repudiates or
10 fails to make a payment due before delivery or if for any other reason
11 the seller has a right to withhold or reclaim the goods.

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

13 (a) Receipt of the goods by the buyer; or

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

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

18 (d) Negotiation to the buyer of any negotiable document of title
19 covering the goods.

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

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

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

28 (d) A carrier who has issued a non-negotiable bill of lading is not
29 obliged to obey a notification to stop received from a person other
30 than the consignor.

31 **PART IX**
32 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 2A**

33 **Sec. 901.** RCW 62A.2A-103 and 2000 c 250 s 9A-808 are each amended
34 to read as follows:

1 DEFINITIONS AND INDEX OF DEFINITIONS. (1) In this article unless
2 the context otherwise requires:

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

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

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

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

25 (e) "Consumer lease" means a lease that a lessor regularly engaged
26 in the business of leasing or selling makes to a lessee who is an
27 individual who takes under the lease primarily for a personal, family,
28 or household purpose, if the total payments to be made under the lease
29 contract, excluding payments for options to renew or buy, do not exceed
30 twenty-five thousand dollars.

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

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

33 (i) The lessor does not select, manufacture, or supply the goods;

34 (ii) The lessor acquires the goods or the right to possession and
35 use of the goods in connection with the lease; and

36 (iii) Only in the case of a consumer lease, either:

37 (A) The lessee receives a copy of the contract by which the lessor

1 acquired the goods or the right to possession and use of the goods
2 before signing the lease contract;

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

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

14 (h) "Goods" means all things that are movable at the time of
15 identification to the lease contract, or are fixtures (RCW 62A.2A-309),
16 but the term does not include money, documents, instruments, accounts,
17 chattel paper, general intangibles, or minerals or the like, including
18 oil and gas, before extraction. The term also includes the unborn
19 young of animals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16	"Accessions."	RCW 62A.2A-310(1).
17	"Construction	
18	mortgage."	RCW 62A.2A-309(1)(d).
19	"Encumbrance."	RCW 62A.2A-309(1)(e).
20	"Fixtures."	RCW 62A.2A-309(1)(a).
21	"Fixture filing."	RCW 62A.2A-309(1)(b).
22	"Purchase money	
23	lease."	RCW 62A.2A-309(1)(c).

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

26	"Account."	RCW 62A.9A-
27		102(((a)))(2).
28	"Between merchants."	RCW 62A.2-104(3).
29	"Buyer."	RCW 62A.2-103(1)(a).
30	"Chattel paper."	RCW 62A.9A-
31		102(((a)))(11).
32	"Consumer goods."	RCW 62A.9A-
33		102(((a)))(23).

1	"Document."	RCW 62A.9A-
2		102((a))(30).
3	"Entrusting."	RCW 62A.2-403(3).
4	"General intangible."	RCW 62A.9A-
5		102((a))(42).
6	"Good faith."	RCW 62A.2-103(1)(b).
7	"Instrument."	RCW 62A.9A-
8		102((a))(47).
9	"Merchant."	RCW 62A.2-104(1).
10	"Mortgage."	RCW 62A.9A-
11		102((a))(55).
12	"Pursuant to	RCW 62A.9A-
13	commitment."	102((a))(68).
14	"Receipt."	RCW 62A.2-103(1)(c).
15	"Sale."	RCW 62A.2-106(1).
16	"Sale on approval."	RCW 62A.2-326.
17	"Sale or return."	RCW 62A.2-326.
18	"Seller."	RCW 62A.2-103(1)(d).

19 (4) In addition, Article 62A.1 RCW contains general definitions and
20 principles of construction and interpretation applicable throughout
21 this article.

22 **Sec. 902.** RCW 62A.2A-514 and 1993 c 230 s 2A-514 are each amended
23 to read as follows:

24 WAIVER OF LESSEE'S OBJECTIONS. (1) In rejecting goods, a lessee's
25 failure to state a particular defect that is ascertainable by
26 reasonable inspection precludes the lessee from relying on the defect
27 to justify rejection or to establish default:

28 (a) If, stated seasonably, the lessor or the supplier could have
29 cured it (RCW 62A.2A-513); or

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

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

1 ~~((3))~~ (c) "Banking day" means the part of a day on which a bank
2 is open to the public for carrying on substantially all of its banking
3 functions, except that it shall not include a Saturday, Sunday, or
4 legal holiday;

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

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

10 ~~((6))~~ (f) "Documentary draft" means a draft to be presented for
11 acceptance or payment if specified documents, certificated securities
12 (RCW 62A.8-102) or instructions for uncertificated securities (RCW
13 62A.8-102), or other certificates, statements, or the like are to be
14 received by the drawee or other payor before acceptance or payment of
15 the draft;

16 ~~((7))~~ (g) "Draft" means a draft as defined in RCW 62A.3-104 or an
17 item, other than an instrument, that is an order;

18 ~~((8))~~ (h) "Drawee" means a person ordered in a draft to make
19 payment;

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

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

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

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

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

1	"Agreement for electronic	
2	presentment"	RCW 62A.4-110.
3	"Bank"	RCW 62A.4-105.
4	"Collecting bank"	RCW 62A.4-105.
5	"Depository bank"	RCW 62A.4-105.
6	"Intermediary bank"	RCW 62A.4-105.
7	"Payor bank"	RCW 62A.4-105.
8	"Presenting bank"	RCW 62A.4-105.
9	"Presentment notice"	RCW 62A.4-110.

10 ~~((e))~~ (3) The following definitions in other articles apply to
11 this article:

12	"Acceptance"	RCW 62A.3-409.
13	"Alteration"	RCW 62A.3-407.
14	"Cashier's check"	RCW 62A.3-104.
15	"Certificate of deposit"	RCW 62A.3-104.
16	"Certified check"	RCW 62A.3-409.
17	"Check"	RCW 62A.3-104.
18	<u>"Control"</u>	<u>RCW 62A.7-106.</u>
19	"Draft"	RCW 62A.3-104.
20	"Good faith"	RCW 62A.3-103.
21	"Holder in due course"	RCW 62A.3-302.
22	"Instrument"	RCW 62A.3-104.
23	"Notice of dishonor"	RCW 62A.3-503.
24	"Order"	RCW 62A.3-103.
25	"Ordinary care"	RCW 62A.3-103.
26	"Person entitled to enforce"	RCW 62A.3-301.
27	"Presentment"	RCW 62A.3-501.
28	"Promise"	RCW 62A.3-103.
29	"Prove"	RCW 62A.3-103.
30	"Teller's check"	RCW 62A.3-104.
31	"Unauthorized signature"	RCW 62A.3-403.

32 ~~((d))~~ (4) In addition Article 1 contains general definitions and

1 principles of construction and interpretation applicable throughout
2 this article.

3 **Sec. 1002.** RCW 62A.4-210 and 2001 c 32 s 13 are each amended to
4 read as follows:

5 SECURITY INTEREST OF COLLECTING BANK IN ITEMS, ACCOMPANYING
6 DOCUMENTS AND PROCEEDS. (~~(a)~~) (1) A collecting bank has a security
7 interest in an item and any accompanying documents or the proceeds of
8 either:

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

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

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

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

22 (~~(e)~~) (3) Receipt by a collecting bank of a final settlement for
23 an item is a realization on its security interest in the item,
24 accompanying documents, and proceeds. So long as the bank does not
25 receive final settlement for the item or give up possession of the item
26 or possession or control of the accompanying documents for purposes
27 other than collection, the security interest continues to that extent
28 and is subject to Article 9A, but:

29 (~~(1)~~) (a) No security agreement is necessary to make the security
30 interest enforceable RCW 62A.9A-203(~~(b)(3)(A)~~) (2)(c)(i);

31 (~~(2)~~) (b) No filing is required to perfect the security interest;
32 and

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

1 **Sec. 1201.** RCW 62A.9A-102 and 2001 c 32 s 16 are each amended to
2 read as follows:

3 DEFINITIONS AND INDEX OF DEFINITIONS. (~~((a) Article 9A~~
4 ~~definitions. In this Article:~~) The definitions in this section apply
5 throughout this article unless the context clearly requires otherwise:

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

9 (2)(~~(A)~~) (a) "Account," except as used in "account for," means a
10 right to payment of a monetary obligation, whether or not earned by
11 performance, (i) for property that has been or is to be sold, leased,
12 licensed, assigned, or otherwise disposed of, (ii) for services
13 rendered or to be rendered, (iii) for a policy of insurance issued or
14 to be issued, (iv) for a secondary obligation incurred or to be
15 incurred, (v) for energy provided or to be provided, (vi) for the use
16 or hire of a vessel under a charter or other contract, (vii) arising
17 out of the use of a credit or charge card or information contained on
18 or for use with the card, or (viii) as winnings in a lottery or other
19 game of chance operated or sponsored by a state, governmental unit of
20 a state, or person licensed or authorized to operate the game by a
21 state or governmental unit of a state. The term includes health-care-
22 insurance receivables.

23 (~~(B)~~) (b) The term does not include (i) rights to payment
24 evidenced by chattel paper or an instrument, (ii) commercial tort
25 claims, (iii) deposit accounts, (iv) investment property, (v) letter-
26 of-credit rights or letters of credit, or (vi) rights to payment for
27 money or funds advanced or sold, other than rights arising out of the
28 use of a credit or charge card or information contained on or for use
29 with the card.

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

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

36 (~~(A)~~) (a) Authenticated by a secured party;

37 (~~(B)~~) (b) Indicating the aggregate unpaid secured obligations as

1 of a date not more than thirty-five days earlier or thirty-five days
2 later than the date of the record; and

3 ~~((C))~~ (c) Identifying the components of the obligations in
4 reasonable detail.

5 (5) "Agricultural lien" means an interest, other than a security
6 interest, in farm products:

7 ~~((A))~~ (a) Which secures payment or performance of an obligation
8 for:

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

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

13 ~~((B))~~ (b) Which is created by statute in favor of a person that:

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

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

19 ~~((C))~~ (c) Whose effectiveness does not depend on the person's
20 possession of the personal property.

21 (6) "As-extracted collateral" means:

22 ~~((A))~~ (a) Oil, gas, or other minerals that are subject to a
23 security interest that:

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

26 (ii) Attaches to the minerals as extracted; or

27 ~~((B))~~ (b) Accounts arising out of the sale at the wellhead or
28 minehead of oil, gas, or other minerals in which the debtor had an
29 interest before extraction.

30 (7) "Authenticate" means:

31 ~~((A))~~ (a) To sign; or

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

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

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

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

8 (11) "Chattel paper" means a record or records that evidence both
9 a monetary obligation and a security interest in specific goods, a
10 security interest in specific goods and software used in the goods, a
11 security interest in specific goods and license of software used in the
12 goods, a lease of specific goods, or a lease of specific goods and
13 license of software used in the goods. In this subsection, "monetary
14 obligation" means a monetary obligation secured by the goods or owed
15 under a lease of the goods and includes a monetary obligation with
16 respect to software used in the goods. The term "chattel paper" does
17 not include ~~((A))~~ (a) charters or other contracts involving the use
18 or hire of a vessel or ~~((B))~~ (b) records that evidence a right to
19 payment arising out of the use of a credit or charge card or
20 information contained on or for use with the card. If a transaction is
21 evidenced by records that include an instrument or series of
22 instruments, the group of records taken together constitutes chattel
23 paper.

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

26 ~~((A))~~ (a) Proceeds to which a security interest attaches;

27 ~~((B))~~ (b) Accounts, chattel paper, payment intangibles, and
28 promissory notes that have been sold; and

29 ~~((C))~~ (c) Goods that are the subject of a consignment.

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

32 ~~((A))~~ (a) The claimant is an organization; or

33 ~~((B))~~ (b) The claimant is an individual, and the claim:

34 (i) Arose in the course of the claimant's business or profession;
35 and

36 (ii) Does not include damages arising out of personal injury to, or
37 the death of, an individual.

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

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

7 ~~((A))~~ (a) Traded on or subject to the rules of a board of trade
8 that has been designated as a contract market for such a contract
9 pursuant to federal commodities laws; or

10 ~~((B))~~ (b) Traded on a foreign commodity board of trade, exchange,
11 or market, and is carried on the books of a commodity intermediary for
12 a commodity customer.

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

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

16 ~~((A))~~ (a) Is registered as a futures commission merchant under
17 federal commodities law; or

18 ~~((B))~~ (b) In the ordinary course of its business, provides
19 clearance or settlement services for a board of trade that has been
20 designated as a contract market pursuant to federal commodities law.

21 (18) "Communicate" means:

22 ~~((A))~~ (a) To send a written or other tangible record;

23 ~~((B))~~ (b) To transmit a record by any means agreed upon by the
24 persons sending and receiving the record; or

25 ~~((C))~~ (c) In the case of transmission of a record to or by a
26 filing office, to transmit a record by any means prescribed by filing-
27 office rule.

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

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

33 ~~((A))~~ (a) The merchant:

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

36 (ii) Is not an auctioneer; and

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

1 ~~((B))~~ (b) With respect to each delivery, the aggregate value of
2 the goods is one thousand dollars or more at the time of delivery;
3 ~~((C))~~ (c) The goods are not consumer goods immediately before
4 delivery; and
5 ~~((D))~~ (d) The transaction does not create a security interest
6 that secures an obligation.
7 (21) "Consignor" means a person that delivers goods to a consignee
8 in a consignment.
9 (22) "Consumer debtor" means a debtor in a consumer transaction.
10 (23) "Consumer goods" means goods that are used or bought for use
11 primarily for personal, family, or household purposes.
12 (24) "Consumer-goods transaction" means a consumer transaction in
13 which:
14 ~~((A))~~ (a) An individual incurs a consumer obligation; and
15 ~~((B))~~ (b) A security interest in consumer goods secures the
16 obligation.
17 (25) "Consumer obligation" means an obligation which:
18 ~~((A))~~ (a) Is incurred as part of a transaction entered into
19 primarily for personal, family, or household purposes; and
20 ~~((B))~~ (b) Arises from an extension of credit, or commitment to
21 extend credit, in an aggregate amount not exceeding forty thousand
22 dollars, or is secured by personal property used or expected to be used
23 as a principal dwelling.
24 "Consumer obligor" means an obligor who is an individual and who
25 incurred a consumer obligation.
26 (26) "Consumer transaction" means a transaction in which ~~((A))~~
27 (a) an individual incurs a consumer obligation, ~~((B))~~ (b) a security
28 interest secures the obligation, and ~~((C))~~ (c) the collateral is held
29 or acquired primarily for personal, family, or household purposes. The
30 term includes consumer-goods transactions.
31 (27) "Continuation statement" means an amendment of a financing
32 statement which:
33 ~~((A))~~ (a) Identifies, by its file number, the initial financing
34 statement to which it relates; and
35 ~~((B))~~ (b) Indicates that it is a continuation statement for, or
36 that it is filed to continue the effectiveness of, the identified
37 financing statement.
38 (28) "Debtor" means:

1 ~~((A))~~ (a) A person having an interest, other than a security
2 interest or other lien, in the collateral, whether or not the person is
3 an obligor;

4 ~~((B))~~ (b) A seller of accounts, chattel paper, payment
5 intangibles, or promissory notes; or

6 ~~((C))~~ (c) A consignee.

7 (29) "Deposit account" means a demand, time, savings, passbook, or
8 similar account maintained with a bank. The term does not include
9 investment property or accounts evidenced by an instrument.

10 (30) "Document" means a document of title or a receipt of the type
11 described in RCW 62A.7-201(2).

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

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

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

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

23 ~~((A))~~ (a) Crops grown, growing, or to be grown, including:

24 (i) Crops produced on trees, vines, and bushes; and

25 (ii) Aquatic goods produced in aquacultural operations;

26 ~~((B))~~ (b) Livestock, born or unborn, including aquatic goods
27 produced in aquacultural operations;

28 ~~((C))~~ (c) Supplies used or produced in a farming operation; or

29 ~~((D))~~ (d) Products of crops or livestock in their unmanufactured
30 states.

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

34 (36) "File number" means the number assigned to an initial
35 financing statement pursuant to RCW 62A.9A-519(a).

36 (37) "Filing office" means an office designated in RCW 62A.9A-501
37 as the place to file a financing statement.

1 (38) "Filing-office rule" means a rule adopted pursuant to RCW
2 62A.9A-526.

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

6 (40) "Fixture filing" means the filing of a financing statement
7 covering goods that are or are to become fixtures and satisfying RCW
8 62A.9A-502 (a) and (b). The term includes the filing of a financing
9 statement covering goods of a transmitting utility which are or are to
10 become fixtures.

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

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

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

22 (44) "Goods" means all things that are movable when a security
23 interest attaches. The term includes ~~((A))~~ (a) fixtures, ~~((B))~~ (b)
24 standing timber that is to be cut and removed under a conveyance or
25 contract for sale, ~~((C))~~ (c) the unborn young of animals, ~~((D))~~ (d)
26 crops grown, growing, or to be grown, even if the crops are produced on
27 trees, vines, or bushes, and ~~((E))~~ (e) manufactured homes. The term
28 also includes a computer program embedded in goods and any supporting
29 information provided in connection with a transaction relating to the
30 program if (i) the program is associated with the goods in such a
31 manner that it customarily is considered part of the goods, or (ii) by
32 becoming the owner of the goods, a person acquires a right to use the
33 program in connection with the goods. The term does not include a
34 computer program embedded in goods that consist solely of the medium in
35 which the program is embedded. The term also does not include
36 accounts, chattel paper, commercial tort claims, deposit accounts,
37 documents, general intangibles, instruments, investment property,

1 letter-of-credit rights, letters of credit, money, or oil, gas, or
2 other minerals before extraction or a manufactured home converted to
3 real property under chapter 65.20 RCW.

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

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

13 (47) "Instrument" means a negotiable instrument or any other
14 writing that evidences a right to the payment of a monetary obligation,
15 is not itself a security agreement or lease, and is of a type that in
16 ordinary course of business is transferred by delivery with any
17 necessary indorsement or assignment. The term does not include ~~((A))~~
18 (a) investment property, ~~((B))~~ (b) letters of credit, ~~((C))~~ (c)
19 writings that evidence a right to payment arising out of the use of a
20 credit or charge card or information contained on or for use with the
21 card, ~~((D))~~ (d) writings that do not contain a promise or order to
22 pay, or ~~((E))~~ (e) writings that are expressly nontransferable or
23 nonassignable.

24 (48) "Inventory" means goods, other than farm products, which:
25 ~~((A))~~ (a) Are leased by a person as lessor;
26 ~~((B))~~ (b) Are held by a person for sale or lease or to be
27 furnished under a contract of service;
28 ~~((C))~~ (c) Are furnished by a person under a contract of service;
29 or
30 ~~((D))~~ (d) Consist of raw materials, work in process, or materials
31 used or consumed in a business.

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

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

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

6 (52) "Lien creditor" means:

7 ((+A)) (a) A creditor that has acquired a lien on the property
8 involved by attachment, levy, or the like;

9 ((+B)) (b) An assignee for benefit of creditors from the time of
10 assignment;

11 ((+C)) (c) A trustee in bankruptcy from the date of the filing of
12 the petition; or

13 ((+D)) (d) A receiver in equity from the time of appointment.

14 (53) "Manufactured home" means a manufactured home or mobile home
15 as defined in RCW 46.04.302.

16 (54) [Reserved]

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

20 (56) "New debtor" means a person that becomes bound as debtor under
21 RCW 62A.9A-203((+d)) (4) by a security agreement previously entered
22 into by another person.

23 (57) "New value" means ((+A)) (a) money, ((+B)) (b) money's worth
24 in property, services, or new credit, or ((+C)) (c) release by a
25 transferee of an interest in property previously transferred to the
26 transferee. The term does not include an obligation substituted for
27 another obligation.

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

29 (59) "Obligor" means a person that, with respect to an obligation
30 secured by a security interest in or an agricultural lien on the
31 collateral, ((+A)) (a) owes payment or other performance of the
32 obligation, ((+B)) (b) has provided property other than the collateral
33 to secure payment or other performance of the obligation, or ((+C))
34 (c) is otherwise accountable in whole or in part for payment or other
35 performance of the obligation. The term does not include issuers or
36 nominated persons under a letter of credit.

37 (60) "Original debtor", except as used in RCW 62A.9A-310((+e))

1 (3), means a person that, as debtor, entered into a security agreement
2 to which a new debtor has become bound under RCW 62A.9A-203(~~(d)~~) (4).
3 (61) "Payment intangible" means a general intangible under which
4 the account debtor's principal obligation is a monetary obligation.
5 (62) "Person related to," with respect to an individual, means:
6 ~~((A))~~ (a) The spouse of the individual;
7 ~~((B))~~ (b) A brother, brother-in-law, sister, or sister-in-law of
8 the individual;
9 ~~((C))~~ (c) An ancestor or lineal descendant of the individual or
10 the individual's spouse; or
11 ~~((D))~~ (d) Any other relative, by blood or marriage, of the
12 individual or the individual's spouse who shares the same home with the
13 individual.
14 (63) "Person related to," with respect to an organization, means:
15 ~~((A))~~ (a) A person directly or indirectly controlling, controlled
16 by, or under common control with the organization;
17 ~~((B))~~ (b) An officer or director of, or a person performing
18 similar functions with respect to, the organization;
19 ~~((C))~~ (c) An officer or director of, or a person performing
20 similar functions with respect to, a person described in ~~((63)(A))~~
21 (a) of this subsection;
22 ~~((D))~~ (d) The spouse of an individual described in ~~((63)(A),~~
23 ~~(B), or (C))~~ (a), (b), or (c) of this subsection; or
24 ~~((E))~~ (e) An individual who is related by blood or marriage to an
25 individual described in ~~((63)(A), (B), (C), or (D))~~ (a), (b), (c), or
26 (d) of this subsection and shares the same home with the individual.
27 (64) "Proceeds", except as used in RCW 62A.9A-609(b), means the
28 following property:
29 ~~((A))~~ (a) Whatever is acquired upon the sale, lease, license,
30 exchange, or other disposition of collateral;
31 ~~((B))~~ (b) Whatever is collected on, or distributed on account of,
32 collateral;
33 ~~((C))~~ (c) Rights arising out of collateral;
34 ~~((D))~~ (d) To the extent of the value of collateral, claims
35 arising out of the loss, nonconformity, or interference with the use
36 of, defects or infringement of rights in, or damage to, the collateral;
37 or

1 ~~((E))~~ (e) To the extent of the value of collateral and to the
2 extent payable to the debtor or the secured party, insurance payable by
3 reason of the loss or nonconformity of, defects or infringement of
4 rights in, or damage to, the collateral.

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

9 (66) "Proposal" means a record authenticated by a secured party,
10 which includes the terms on which the secured party is willing to
11 accept collateral in full or partial satisfaction of the obligation it
12 secures pursuant to RCW 62A.9A-620, 62A.9A-621, and 62A.9A-622.

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

15 ~~((A))~~ (a) Debt securities are issued;

16 ~~((B))~~ (b) All or a portion of the securities issued have an
17 initial stated maturity of at least twenty years; and

18 ~~((C))~~ (c) The debtor, obligor, secured party, account debtor or
19 other person obligated on collateral, assignor or assignee of a secured
20 obligation, or assignor or assignee of a security interest is a state
21 or a governmental unit of a state.

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

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

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

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

36 ~~((A))~~ (a) The obligor's obligation is secondary; or

37 ~~((B))~~ (b) The obligor has a right of recourse with respect to an

1 obligation secured by collateral against the debtor, another obligor,
2 or property of either.

3 (72) "Secured party" means:

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

7 ~~((B))~~ (b) A person that holds an agricultural lien;

8 ~~((C))~~ (c) A consignor;

9 ~~((D))~~ (d) A person to which accounts, chattel paper, payment
10 intangibles, or promissory notes have been sold;

11 ~~((E))~~ (e) A trustee, indenture trustee, agent, collateral agent,
12 or other representative in whose favor a security interest or
13 agricultural lien is created or provided for; or

14 ~~((F))~~ (f) A person that holds a security interest arising under
15 RCW 62A.2-401, 62A.2-505, 62A.2-711(3), 62A.2A-508(5), 62A.4-210, or
16 62A.5-118.

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

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

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

24 ~~((B))~~ (b) To cause the record or notification to be received
25 within the time that it would have been received if properly sent under
26 ~~((A))~~ (a) of this subsection.

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

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

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

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

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

6 ~~((A))~~ (a) Identifies, by its file number, the initial financing
7 statement to which it relates; and

8 ~~((B))~~ (b) Indicates either that it is a termination statement or
9 that the identified financing statement is no longer effective.

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

12 ~~((A))~~ (a) Operating a railroad, subway, street railway, or
13 trolley bus;

14 ~~((B))~~ (b) Transmitting communications electrically,
15 electromagnetically, or by light;

16 ~~((C))~~ (c) Transmitting goods by pipeline or sewer; or

17 ~~((D))~~ (d) Transmitting or producing and transmitting electricity,
18 steam, gas, or water.

19 ~~((b))~~ **Definitions in other articles.** The following definitions
20 in other articles apply to this article:

21	"Applicant."	RCW 62A.5-102.
22	"Beneficiary."	RCW 62A.5-102.
23	"Broker."	RCW 62A.8-102.
24	"Certificated security."	RCW 62A.8-102.
25	"Check."	RCW 62A.3-104.
26	"Clearing corporation."	RCW 62A.8-102.
27	"Contract for sale."	RCW 62A.2-106.
28	<u>"Control."</u>	<u>RCW 62A.7-106.</u>
29	"Customer."	RCW 62A.4-104.
30	"Entitlement holder."	RCW 62A.8-102.
31	"Financial asset."	RCW 62A.8-102.
32	"Holder in due course."	RCW 62A.3-302.
33	<u>"Issuer" with respect to</u>	
34	<u>documents of title.</u>	<u>RCW 62A.7-102.</u>

1	"Issuer" with respect to a	
2	letter of credit or letter-	
3	of-credit right.	RCW 62A.5-102.
4	"Issuer" with respect to a	
5	security.	RCW 62A.8-201.
6	"Lease."	RCW 62A.2A-103.
7	"Lease agreement."	RCW 62A.2A-103.
8	"Lease contract."	RCW 62A.2A-103.
9	"Leasehold interest."	RCW 62A.2A-103.
10	"Lessee."	RCW 62A.2A-103.
11	"Lessee in ordinary course	
12	of business."	RCW 62A.2A-103.
13	"Lessor."	RCW 62A.2A-103.
14	"Lessor's residual interest."	RCW 62A.2A-103.
15	"Letter of credit."	RCW 62A.5-102.
16	"Merchant."	RCW 62A.2-104.
17	"Negotiable instrument."	RCW 62A.3-104.
18	"Nominated person."	RCW 62A.5-102.
19	"Note."	RCW 62A.3-104.
20	"Proceeds of a letter of	
21	credit."	RCW 62A.5-114.
22	"Prove."	RCW 62A.3-103.
23	"Sale."	RCW 62A.2-106.
24	"Securities account."	RCW 62A.8-501.
25	"Securities intermediary."	RCW 62A.8-102.
26	"Security."	RCW 62A.8-102.
27	"Security certificate."	RCW 62A.8-102.
28	"Security entitlement."	RCW 62A.8-102.
29	"Uncertificated security."	RCW 62A.8-102.

30 ((+e)) **Article 1 definitions and principles.** Article 1 contains
31 general definitions and principles of construction and interpretation
32 applicable throughout this article.

33 **Sec. 1202.** RCW 62A.9A-203 and 2000 c 250 s 9A-203 are each amended
34 to read as follows:

35 ATTACHMENT AND ENFORCEABILITY OF SECURITY INTEREST; PROCEEDS;
36 SUPPORTING OBLIGATIONS; FORMAL REQUISITES. ((+a)) (1) **Attachment.** A

1 security interest attaches to collateral when it becomes enforceable
2 against the debtor with respect to the collateral, unless an agreement
3 expressly postpones the time of attachment.

4 ~~((b))~~ (2) **Enforceability.** Except as otherwise provided in
5 subsections ~~((e))~~ (3) through ~~((i))~~ (9) of this section, a security
6 interest is enforceable against the debtor and third parties with
7 respect to the collateral only if:

8 ~~((1))~~ (a) Value has been given;

9 ~~((2))~~ (b) The debtor has rights in the collateral or the power to
10 transfer rights in the collateral to a secured party; and

11 ~~((3))~~ (c) One of the following conditions is met:

12 ~~((A))~~ (i) The debtor has authenticated a security agreement that
13 provides a description of the collateral and, if the security interest
14 covers timber to be cut, a description of the land concerned;

15 ~~((B))~~ (ii) The collateral is not a certificated security and is
16 in the possession of the secured party under RCW 62A.9A-313 pursuant to
17 the debtor's security agreement;

18 ~~((C))~~ (iii) The collateral is a certificated security in
19 registered form and the security certificate has been delivered to the
20 secured party under RCW 62A.8-301 pursuant to the debtor's security
21 agreement; or

22 ~~((D))~~ (iv) The collateral is deposit accounts, electronic chattel
23 paper, investment property, ~~((E))~~ letter-of-credit rights or
24 electronic documents, and the secured party has control under RCW
25 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107 pursuant
26 to the debtor's security agreement.

27 ~~((e))~~ (3) **Other UCC provisions.** Subsection ~~((b))~~ (2) of this
28 section is subject to RCW 62A.4-210 on the security interest of a
29 collecting bank, RCW 62A.5-118 on the security interest of a letter-of-
30 credit issuer or nominated person, RCW 62A.9A-110 on a security
31 interest arising under Article 2 or 2A, and RCW 62A.9A-206 on security
32 interests in investment property.

33 ~~((d))~~ (4) **When person becomes bound by another person's security**
34 **agreement.** A person becomes bound as debtor by a security agreement
35 entered into by another person if, by operation of law other than this
36 article or by contract:

37 ~~((1))~~ (a) The security agreement becomes effective to create a
38 security interest in the person's property; or

1 ~~((2))~~ (b) The person becomes generally obligated for the
2 obligations of the other person, including the obligation secured under
3 the security agreement, and acquires or succeeds to all or
4 substantially all of the assets of the other person.

5 ~~((e))~~ (5) Effect of new debtor becoming bound. If a new debtor
6 becomes bound as debtor by a security agreement entered into by another
7 person:

8 ~~((1))~~ (a) The agreement satisfies subsection ~~((b)(3))~~ (2)(c) of
9 this section with respect to existing or after-acquired property of the
10 new debtor to the extent the property is described in the agreement;
11 and

12 ~~((2))~~ (b) Another agreement is not necessary to make a security
13 interest in the property enforceable.

14 ~~((f))~~ (6) Proceeds and supporting obligations. The attachment of
15 a security interest in collateral gives the secured party the rights to
16 proceeds provided by RCW 62A.9A-315 and is also attachment of a
17 security interest in a supporting obligation for the collateral.

18 ~~((g))~~ (7) Lien securing right to payment. The attachment of a
19 security interest in a right to payment or performance secured by a
20 security interest or other lien on personal or real property is also
21 attachment of a security interest in the security interest, mortgage,
22 or other lien.

23 ~~((h))~~ (8) Security entitlement carried in securities account.
24 The attachment of a security interest in a securities account is also
25 attachment of a security interest in the security entitlements carried
26 in the securities account.

27 ~~((i))~~ (9) Commodity contracts carried in commodity account. The
28 attachment of a security interest in a commodity account is also
29 attachment of a security interest in the commodity contracts carried in
30 the commodity account.

31 **Sec. 1203.** RCW 62A.9A-207 and 2000 c 250 s 9A-207 are each amended
32 to read as follows:

33 RIGHTS AND DUTIES OF SECURED PARTY HAVING POSSESSION OR CONTROL OF
34 COLLATERAL. ~~((a))~~ (1) Duty of care when secured party in possession.

35 Except as otherwise provided in subsection ~~((d))~~ (4) of this
36 section, a secured party shall use reasonable care in the custody and
37 preservation of collateral in the secured party's possession. In the

1 case of chattel paper or an instrument, reasonable care includes taking
2 necessary steps to preserve rights against prior parties unless
3 otherwise agreed.

4 ~~((b))~~ (2) **Expenses, risks, duties, and rights when secured party**
5 **in possession.** Except as otherwise provided in subsection ~~((d))~~ (4)
6 of this section, if a secured party has possession of collateral:

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

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

13 ~~((3))~~ (c) The secured party shall keep the collateral
14 identifiable, but fungible collateral may be commingled; and

15 ~~((4))~~ (d) The secured party may use or operate the collateral:

16 ~~((A))~~ (i) For the purpose of preserving the collateral or its
17 value;

18 ~~((B))~~ (ii) As permitted by an order of a court having competent
19 jurisdiction; or

20 ~~((C))~~ (iii) Except in the case of consumer goods, in the manner
21 and to the extent agreed by the debtor.

22 ~~((e))~~ (3) **Duties and rights when secured party in possession or**
23 **control.** Except as otherwise provided in subsection ~~((d))~~ (4) of
24 this section, a secured party having possession of collateral or
25 control of collateral under RCW 62A.7-106, 62A.9A-104, 62A.9A-105,
26 62A.9A-106, or 62A.9A-107:

27 ~~((1))~~ (a) May hold as additional security any proceeds, except
28 money or funds, received from the collateral;

29 ~~((2))~~ (b) Shall apply money or funds received from the collateral
30 to reduce the secured obligation, unless remitted to the debtor; and

31 ~~((3))~~ (c) May create a security interest in the collateral.

32 ~~((d))~~ (4) **Buyer of certain rights to payment.** If the secured
33 party is a buyer of accounts, chattel paper, payment intangibles, or
34 promissory notes or a consignor:

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

37 ~~((A))~~ (i) To charge back uncollected collateral; or

1 ~~((B))~~ (ii) Otherwise to full or limited recourse against the
2 debtor or a secondary obligor based on the nonpayment or other default
3 of an account debtor or other obligor on the collateral; and
4 ~~((2))~~ (b) Subsections ~~((b))~~ (2) and ~~((e))~~ (3) of this section
5 do not apply.

6 **Sec. 1204.** RCW 62A.9A-208 and 2001 c 32 s 21 are each amended to
7 read as follows:

8 ADDITIONAL DUTIES OF SECURED PARTY HAVING CONTROL OF COLLATERAL.
9 ~~((a))~~ (1) **Applicability of section.** This section applies to cases in
10 which there is no outstanding secured obligation and the secured party
11 is not committed to make advances, incur obligations, or otherwise give
12 value.

13 ~~((b))~~ (2) **Duties of secured party after receiving demand from**
14 **debtor.** Within ten days after receiving an authenticated demand by the
15 debtor:

16 ~~((1))~~ (a) A secured party having control of a deposit account
17 under RCW 62A.9A-104(a)(2) shall send to the bank with which the
18 deposit account is maintained an authenticated statement that releases
19 the bank from any further obligation to comply with instructions
20 originated by the secured party;

21 ~~((2))~~ (b) A secured party having control of a deposit account
22 under RCW 62A.9A-104(a)(3) shall:

23 ~~((A))~~ (i) Pay the debtor the balance on deposit in the deposit
24 account; or

25 ~~((B))~~ (ii) Transfer the balance on deposit into a deposit account
26 in the debtor's name;

27 ~~((3))~~ (c) A secured party, other than a buyer, having control of
28 electronic chattel paper under RCW 62A.9A-105 shall:

29 ~~((A))~~ (i) Communicate the authoritative copy of the electronic
30 chattel paper to the debtor or its designated custodian;

31 ~~((B))~~ (ii) If the debtor designates a custodian that is the
32 designated custodian with which the authoritative copy of the
33 electronic chattel paper is maintained for the secured party,
34 communicate to the custodian an authenticated record releasing the
35 designated custodian from any further obligation to comply with
36 instructions originated by the secured party and instructing the
37 custodian to comply with instructions originated by the debtor; and

1 ~~((c))~~ (iii) Take appropriate action to enable the debtor or its
2 designated custodian to make copies of or revisions to the
3 authoritative copy which add or change an identified assignee of the
4 authoritative copy without the consent of the secured party;

5 ~~((4))~~ (d) A secured party having control of investment property
6 under RCW 62A.8-106(4)(b) or 62A.9A-106(b) shall send to the securities
7 intermediary or commodity intermediary with which the security
8 entitlement or commodity contract is maintained an authenticated record
9 that releases the securities intermediary or commodity intermediary
10 from any further obligation to comply with entitlement orders or
11 directions originated by the secured party; ~~((and~~

12 ~~(+5))~~ (e) A secured party having control of a letter-of-credit
13 right under RCW 62A.9A-107 shall send to each person having an
14 unfulfilled obligation to pay or deliver proceeds of the letter of
15 credit to the secured party an authenticated release from any further
16 obligation to pay or deliver proceeds of the letter of credit to the
17 secured party; and

18 (f) A secured party having control of an electronic document shall:

19 (i) Give control of the electronic document to the debtor or its
20 designated custodian;

21 (ii) If the debtor designates a custodian that is the designated
22 custodian with which the authoritative copy of the electronic document
23 is maintained for the secured party, communicate to the custodian an
24 authenticated record releasing the designated custodian from any
25 further obligation to comply with instructions originated by the
26 secured party and instructing the custodian to comply with instructions
27 originated by the debtor; and

28 (iii) Take appropriate action to enable the debtor or its
29 designated custodian to make copies of or revisions to the
30 authoritative copy which add or change an identified assignee of the
31 authoritative copy without the consent of the secured party.

32 **Sec. 1205.** RCW 62A.9A-301 and 2001 c 32 s 22 are each amended to
33 read as follows:

34 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS.
35 Except as otherwise provided in RCW 62A.9A-303 through 62A.9A-306, the
36 following rules determine the law governing perfection, the effect of

1 perfection or nonperfection, and the priority of a security interest in
2 collateral:

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

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

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

15 ~~((A))~~ (a) Perfection of a security interest in the goods by
16 filing a fixture filing;

17 ~~((B))~~ (b) Perfection of a security interest in timber to be cut;
18 and

19 ~~((C))~~ (c) The effect of perfection or nonperfection and the
20 priority of a nonpossessory security interest in the collateral.

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

25 **Sec. 1206.** RCW 62A.9A-308 and 2000 c 250 s 9A-308 are each amended
26 to read as follows:

27 WHEN SECURITY INTEREST OR AGRICULTURAL LIEN IS PERFECTED;
28 CONTINUITY OF PERFECTION. ~~((a))~~ (1) **Perfection of security interest.**

29 Except as otherwise provided in this section and RCW 62A.9A-309, a
30 security interest is perfected if it has attached and all of the
31 applicable requirements for perfection in RCW 62A.9A-310 through
32 62A.9A-316 have been satisfied. A security interest is perfected when
33 it attaches if the applicable requirements are satisfied before the
34 security interest attaches.

35 ~~((b))~~ (2) **Perfection of agricultural lien.** An agricultural lien
36 is perfected if it has become effective and all of the applicable
37 requirements for perfection in RCW 62A.9A-310 have been satisfied. An

1 agricultural lien is perfected when it becomes effective if the
2 applicable requirements are satisfied before the agricultural lien
3 becomes effective.

4 ~~((e))~~ **(3) Continuous perfection; perfection by different methods.**
5 A security interest or agricultural lien is perfected continuously if
6 it is originally perfected by one method under this article and is
7 later perfected by another method under this article, without an
8 intermediate period when it was unperfected.

9 ~~((d))~~ **(4) Supporting obligation.** Perfection of a security
10 interest in collateral also perfects a security interest in a
11 supporting obligation for the collateral.

12 ~~((e))~~ **(5) Lien securing right to payment.** Perfection of a
13 security interest in a right to payment or performance also perfects a
14 security interest in a security interest, mortgage, or other lien on
15 personal or real property securing the right.

16 ~~((f))~~ **(6) Security entitlement carried in securities account.**
17 Perfection of a security interest in a securities account also perfects
18 a security interest in the security entitlements carried in the
19 securities account.

20 ~~((g))~~ **(7) Commodity contract carried in commodity account.**
21 Perfection of a security interest in a commodity account also perfects
22 a security interest in the commodity contracts carried in the commodity
23 account.

24 **Sec. 1207.** RCW 62A.9A-310 and 2000 c 250 s 9A-310 are each amended
25 to read as follows:

26 WHEN FILING REQUIRED TO PERFECT SECURITY INTEREST OR AGRICULTURAL
27 LIEN; SECURITY INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING
28 PROVISIONS DO NOT APPLY. ~~((a))~~ **(1) General rule: Perfection by**
29 **filing.** Except as otherwise provided in subsections ~~((b))~~ **(2)** and
30 ~~((d))~~ **(4)** of this section and RCW 62A.9A-312~~((b))~~ **(2)**, a financing
31 statement must be filed to perfect all security interests and
32 agricultural liens.

33 ~~((b))~~ **(2) Exceptions: Filing not necessary.** The filing of a
34 financing statement is not necessary to perfect a security interest:

35 ~~((1))~~ **(a)** That is perfected under RCW 62A.9A-308 ~~((d), (e), (f),~~
36 ~~or (g))~~ **(4), (5), (6), or (7);**

1 ~~((+2))~~ (b) That is perfected under RCW 62A.9A-309 when it
2 attaches;

3 ~~((+3))~~ (c) In property subject to a statute, regulation, or treaty
4 described in RCW 62A.9A-311(a);

5 ~~((+4))~~ (d) In goods in possession of a bailee which is perfected
6 under RCW 62A.9A-312(~~((+d)-(1) or (2))~~) (4)(a) or (b);

7 ~~((+5))~~ (e) In certificated securities, documents, goods, or
8 instruments which is perfected without filing, control, or possession
9 under RCW 62A.9A-312 (~~((+e), (f), or (g))~~) (5), (6), or (7);

10 ~~((+6))~~ (f) In collateral in the secured party's possession under
11 RCW 62A.9A-313;

12 ~~((+7))~~ (g) In a certificated security which is perfected by
13 delivery of the security certificate to the secured party under RCW
14 62A.9A-313;

15 ~~((+8))~~ (h) In deposit accounts, electronic chattel paper,
16 electronic documents, investment property, or letter-of-credit rights
17 which is perfected by control under RCW 62A.9A-314;

18 ~~((+9))~~ (i) In proceeds which is perfected under RCW 62A.9A-315; or

19 ~~((+10))~~ (j) That is perfected under RCW 62A.9A-316.

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

25 ~~((+d))~~ (4) Further exception: Filing not necessary for handler's
26 lien. The filing of a financing statement is not necessary to perfect
27 the agricultural lien of a handler on orchard crops as provided in RCW
28 60.11.020(3).

29 **Sec. 1208.** RCW 62A.9A-312 and 2000 c 250 s 9A-312 are each amended
30 to read as follows:

31 PERFECTION OF SECURITY INTERESTS IN CHATTEL PAPER, DEPOSIT
32 ACCOUNTS, DOCUMENTS, GOODS COVERED BY DOCUMENTS, INSTRUMENTS,
33 INVESTMENT PROPERTY, LETTER-OF-CREDIT RIGHTS, AND MONEY; PERFECTION BY
34 PERMISSIVE FILING; TEMPORARY PERFECTION WITHOUT FILING OR TRANSFER OF
35 POSSESSION. ~~((+a))~~ (1) Perfection by filing permitted. A security
36 interest in chattel paper, negotiable documents, instruments, or
37 investment property may be perfected by filing.

1 ~~((b))~~ **(2) Control or possession of certain collateral.** Except as
2 otherwise provided in RCW 62A.9A-315 (c) and (d) for proceeds:

3 ~~((1))~~ **(a)** A security interest in a deposit account may be
4 perfected only by control under RCW 62A.9A-314;

5 ~~((2))~~ **(b)** And except as otherwise provided in RCW
6 62A.9A-308~~((d))~~ **(4)**, a security interest in a letter-of-credit right
7 may be perfected only by control under RCW 62A.9A-314; and

8 ~~((3))~~ **(c)** A security interest in money may be perfected only by
9 the secured party's taking possession under RCW 62A.9A-313.

10 ~~((e))~~ **(3) Goods covered by negotiable document.** While goods are
11 in the possession of a bailee that has issued a negotiable document
12 covering the goods:

13 ~~((1))~~ **(a)** A security interest in the goods may be perfected by
14 perfecting a security interest in the document; and

15 ~~((2))~~ **(b)** A security interest perfected in the document has
16 priority over any security interest that becomes perfected in the goods
17 by another method during that time.

18 ~~((d))~~ **(4) Goods covered by nonnegotiable document.** While goods
19 are in the possession of a bailee that has issued a nonnegotiable
20 document covering the goods, a security interest in the goods may be
21 perfected by:

22 ~~((1))~~ **(a)** Issuance of a document in the name of the secured
23 party;

24 ~~((2))~~ **(b)** The bailee's receipt of notification of the secured
25 party's interest; or

26 ~~((3))~~ **(c)** Filing as to the goods.

27 ~~((e))~~ **(5) Temporary perfection: New value.** A security interest
28 in certificated securities, negotiable documents, or instruments is
29 perfected without filing or the taking of possession or control for a
30 period of twenty days from the time it attaches to the extent that it
31 arises for new value given under an authenticated security agreement.

32 ~~((f))~~ **(6) Temporary perfection: Goods or documents made**
33 **available to debtor.** A perfected security interest in a negotiable
34 document or goods in possession of a bailee, other than one that has
35 issued a negotiable document for the goods, remains perfected for
36 twenty days without filing if the secured party makes available to the
37 debtor the goods or documents representing the goods for the purpose
38 of:

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

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

7 ~~((d))~~ (4) Time of perfection by possession; continuation of
8 **perfection.** If perfection of a security interest depends upon
9 possession of the collateral by a secured party, perfection occurs no
10 earlier than the time the secured party takes possession and continues
11 only while the secured party retains possession.

12 ~~((e))~~ (5) Time of perfection by delivery; continuation of
13 **perfection.** A security interest in a certificated security in
14 registered form is perfected by delivery when delivery of the
15 certificated security occurs under RCW 62A.8-301 and remains perfected
16 by delivery until the debtor obtains possession of the security
17 certificate.

18 ~~((f))~~ (6) Acknowledgment not required. A person in possession of
19 collateral is not required to acknowledge that it holds possession for
20 a secured party's benefit.

21 ~~((g))~~ (7) Effectiveness of acknowledgment; no duties or
22 **confirmation.** If a person acknowledges that it holds possession for
23 the secured party's benefit:

24 ~~((1))~~ (a) The acknowledgment is effective under subsection (c) of
25 this section or RCW 62A.8-301(1), even if the acknowledgment violates
26 the rights of a debtor; and

27 ~~((2))~~ (b) Unless the person otherwise agrees or law other than
28 this article otherwise provides, the person does not owe any duty to
29 the secured party and is not required to confirm the acknowledgment to
30 another person.

31 ~~((h))~~ (8) Secured party's delivery to person other than debtor.
32 A secured party having possession of collateral does not relinquish
33 possession by delivering the collateral to a person other than the
34 debtor or a lessee of the collateral from the debtor in the ordinary
35 course of the debtor's business if the person was instructed before the
36 delivery or is instructed contemporaneously with the delivery:

37 ~~((1))~~ (a) To hold possession of the collateral for the secured
38 party's benefit; or

1 **Sec. 1211.** RCW 62A.9A-317 and 2001 c 32 s 27 are each amended to
2 read as follows:

3 INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST
4 OR AGRICULTURAL LIEN. ~~((a))~~ (1) **Conflicting security interests and**
5 **rights of lien creditors.** A security interest or agricultural lien is
6 subordinate to the rights of:

7 ~~((1))~~ (a) A person entitled to priority under RCW 62A.9A-322; and

8 ~~((2))~~ (b) Except as otherwise provided in subsection ~~((e))~~ (5)
9 of this section, a person that becomes a lien creditor before the
10 earlier of the time:

11 ~~((A))~~ (i) The security interest or agricultural lien is
12 perfected; or

13 ~~((B))~~ (ii) One of the conditions specified in RCW
14 62A.9A-203~~((b)(3))~~ (2)(c) is met and a financing statement covering
15 the collateral is filed.

16 ~~((b))~~ (2) **Buyers that receive delivery.** Except as otherwise
17 provided in subsection ~~((e))~~ (5) of this section, a buyer, other than
18 a secured party, of tangible chattel paper, tangible documents, goods,
19 instruments, or a security certificate takes free of a security
20 interest or agricultural lien if the buyer gives value and receives
21 delivery of the collateral without knowledge of the security interest
22 or agricultural lien and before it is perfected.

23 ~~((e))~~ (3) **Lessees that receive delivery.** Except as otherwise
24 provided in subsection ~~((e))~~ (5) of this section, a lessee of goods
25 takes free of a security interest or agricultural lien if the lessee
26 gives value and receives delivery of the collateral without knowledge
27 of the security interest or agricultural lien and before it is
28 perfected.

29 ~~((d))~~ (4) **Licensees and buyers of certain collateral.** A
30 licensee of a general intangible or a buyer, other than a secured
31 party, of accounts, electronic chattel paper, electronic documents,
32 general intangibles, or investment property other than a certificated
33 security takes free of a security interest if the licensee or buyer
34 gives value without knowledge of the security interest and before it is
35 perfected.

36 ~~((e))~~ (5) **Purchase-money security interest.** Except as otherwise
37 provided in RCW 62A.9A-320 and 62A.9A-321, if a person files a
38 financing statement with respect to a purchase-money security interest

1 before or within twenty days after the debtor receives delivery of the
2 collateral, the security interest takes priority over the rights of a
3 buyer, lessee, or lien creditor which arise between the time the
4 security interest attaches and the time of filing.

5 **Sec. 1212.** RCW 62A.9A-323 and 2000 c 250 s 9A-323 are each amended
6 to read as follows:

7 FUTURE ADVANCES. ~~((+a+))~~ (1) **When priority based on time of**
8 **advance.** Except as otherwise provided in subsection ~~((+e+))~~ (3) of
9 this section, for purposes of determining the priority of a perfected
10 security interest under RCW 62A.9A-322(a)(1), perfection of the
11 security interest dates from the time an advance is made to the extent
12 that the security interest secures an advance that:

13 ~~((+1+))~~ (a) Is made while the security interest is perfected only:
14 ~~((+A+))~~ (i) Under RCW 62A.9A-309 when it attaches; or
15 ~~((+B+))~~ (ii) Temporarily under RCW 62A.9A-312 ~~((+e+), (+f+), or (+g+))~~
16 (5), (6), or (7); and

17 ~~((+2+))~~ (b) Is not made pursuant to a commitment entered into
18 before or while the security interest is perfected by a method other
19 than under RCW 62A.9A-309 or 62A.9A-312 ~~((+e+), (+f+), or (+g+))~~ (5), (6),
20 or (7).

21 ~~((+b+))~~ (2) **Lien creditor.** Except as otherwise provided in
22 subsection ~~((+e+))~~ (3) of this section, a security interest is
23 subordinate to the rights of a person that becomes a lien creditor to
24 the extent that the security interest secures an advance made more than
25 forty-five days after the person becomes a lien creditor unless the
26 advance is made:

27 ~~((+1+))~~ (a) Without knowledge of the lien; or
28 ~~((+2+))~~ (b) Pursuant to a commitment entered into without knowledge
29 of the lien.

30 ~~((+e+))~~ (3) **Buyer of receivables.** Subsections ~~((+a+))~~ (1) and
31 ~~((+b+))~~ (2) of this section do not apply to a security interest held by
32 a secured party that is a buyer of accounts, chattel paper, payment
33 intangibles, or promissory notes or a consignor.

34 ~~((+d+))~~ (4) **Buyer of goods.** Except as otherwise provided in
35 subsection ~~((+e+))~~ (5) of this section, a buyer of goods other than a
36 buyer in ordinary course of business takes free of a security interest
37 to the extent that it secures advances made after the earlier of:

1 ~~((1))~~ (a) The time the secured party acquires knowledge of the
2 buyer's purchase; or

3 ~~((2))~~ (b) Forty-five days after the purchase.

4 ~~((e))~~ (5) **Advances made pursuant to commitment: Priority of**
5 **buyer of goods.** Subsection ~~((d))~~ (4) of this section does not apply
6 if the advance is made pursuant to a commitment entered into without
7 knowledge of the buyer's purchase and before the expiration of the
8 forty-five day period.

9 ~~((f))~~ (6) **Lessee of goods.** Except as otherwise provided in
10 subsection ~~((g))~~ (7) of this section, a lessee of goods, other than
11 a lessee in ordinary course of business, takes the leasehold interest
12 free of a security interest to the extent that it secures advances made
13 after the earlier of:

14 ~~((1))~~ (a) The time the secured party acquires knowledge of the
15 lease; or

16 ~~((2))~~ (b) Forty-five days after the lease contract becomes
17 enforceable.

18 ~~((g))~~ (7) **Advances made pursuant to commitment: Priority of**
19 **lessee of goods.** Subsection ~~((f))~~ (6) of this section does not apply
20 if the advance is made pursuant to a commitment entered into without
21 knowledge of the lease and before the expiration of the forty-five day
22 period.

23 **Sec. 1213.** RCW 62A.9A-338 and 2000 c 250 s 9A-338 are each amended
24 to read as follows:

25 PRIORITY OF SECURITY INTEREST OR AGRICULTURAL LIEN PERFECTED BY
26 FILED FINANCING STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION. If
27 a security interest or agricultural lien is perfected by a filed
28 financing statement providing information described in RCW
29 62A.9A-516(b)(5) which is incorrect at the time the financing statement
30 is filed:

31 (1) The security interest or agricultural lien is subordinate to a
32 conflicting perfected security interest in the collateral to the extent
33 that the holder of the conflicting security interest gives value in
34 reasonable reliance upon the incorrect information; and

35 (2) A purchaser, other than a secured party, of the collateral
36 takes free of the security interest or agricultural lien to the extent
37 that, in reasonable reliance upon the incorrect information, the

1 purchaser gives value and, in the case of tangible chattel paper,
2 tangible documents, goods, instruments, or a security certificate,
3 receives delivery of the collateral.

4 **Sec. 1214.** RCW 62A.9A-601 and 2000 c 250 s 9A-601 are each amended
5 to read as follows:

6 RIGHTS AFTER DEFAULT; JUDICIAL ENFORCEMENT; CONSIGNOR OR BUYER OF
7 ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES.

8 ~~((a))~~ **(1) Rights of secured party after default.** After default, a
9 secured party has the rights provided in this part and, except as
10 otherwise provided in RCW 62A.9A-602, those provided by agreement of
11 the parties. A secured party:

12 ~~((1))~~ **(a)** May reduce a claim to judgment, foreclose, or otherwise
13 enforce the claim, security interest, or agricultural lien by any
14 available judicial procedure; and

15 ~~((2))~~ **(b)** If the collateral is documents, may proceed either as
16 to the documents or as to the goods they cover.

17 ~~((b))~~ **(2) Rights and duties of secured party in possession or**
18 **control.** A secured party in possession of collateral or control of
19 collateral under RCW ~~62A.7-106~~, 62A.9A-104, 62A.9A-105, 62A.9A-106, or
20 62A.9A-107 has the rights and duties provided in RCW 62A.9A-207.

21 ~~((e))~~ **(3) Rights cumulative; simultaneous exercise.** The rights
22 under subsections ~~((a))~~ **(1)** and ~~((b))~~ **(2)** of this section are
23 cumulative and may be exercised simultaneously.

24 ~~((d))~~ **(4) Rights of debtor and obligor.** Except as otherwise
25 provided in subsection ~~((g))~~ **(7)** of this section and RCW 62A.9A-605,
26 after default, a debtor and an obligor have the rights provided in this
27 part and by agreement of the parties.

28 ~~((e))~~ **(5) Lien of levy after judgment.** If a secured party has
29 reduced its claim to judgment, the lien of any levy that may be made
30 upon the collateral by virtue of an execution based upon the judgment
31 relates back to the earliest of:

32 ~~((1))~~ **(a)** The date of perfection of the security interest or
33 agricultural lien in the collateral;

34 ~~((2))~~ **(b)** The date of filing a financing statement covering the
35 collateral; or

36 ~~((3))~~ **(c)** Any date specified in a statute under which the
37 agricultural lien was created.

1 payment, at such place or places, be subject to such terms of
2 redemption, bear such fixed or variable rate or rates of interest, be
3 taxable or tax exempt, be payable at such time or times, and be sold in
4 such manner and at such price or prices, as the authority determines.
5 The bonds shall be executed by one or more officers of the authority,
6 and by the trustee or paying agent if the authority determines to use
7 a trustee or paying agent for the bonds. Execution of the bonds may be
8 by manual or facsimile signature, provided that at least one signature
9 on the bond is manual.

10 (3) The bonds of the authority shall be subject to such terms,
11 conditions, covenants, and protective provisions as are found necessary
12 or desirable by the authority, including, but not limited to, pledges
13 of the authority's assets, setting aside of reserves, and other
14 provisions the authority finds are necessary or desirable for the
15 security of bondholders.

16 (4) Any revenue pledged by the authority to be received under the
17 sales agreement or in special funds created by the authority shall be
18 valid and binding at the time the pledge is made. Receipts so pledged
19 and then or thereafter received by the authority and any securities in
20 which such receipts may be invested shall immediately be subject to the
21 lien of such pledge without any physical delivery thereof or further
22 act. The lien of any such pledge shall be valid and binding as against
23 all parties having claims of any kind against the authority, whether
24 such parties have notice of the lien. Notwithstanding any other
25 provision to the contrary, the resolution or indenture of the authority
26 or any other instrument by which a pledge is created need not be
27 recorded or filed pursuant to chapter 62A.9A RCW to perfect such
28 pledge. The authority shall constitute a governmental unit within the
29 meaning of RCW 62A.9A-102(~~((a)(45))~~).

30 (5) When issuing bonds, the authority may provide for the future
31 issuance of additional bonds or parity debt on a parity with
32 outstanding bonds, and the terms and conditions of their issuance. The
33 authority may issue refunding bonds in accordance with chapter 39.53
34 RCW or issue bonds with a subordinate lien against the fund or funds
35 securing outstanding bonds.

36 (6) The board and any person executing the bonds are not liable
37 personally on the indebtedness or subject to any personal liability or
38 accountability by reason of the issuance thereof.

1 (7) The authority may, out of any fund available therefor, purchase
2 its bonds in the open market.

3 **Sec. 1302.** RCW 62A.4-210 and 2001 c 32 s 13 are each amended to
4 read as follows:

5 SECURITY INTEREST OF COLLECTING BANK IN ITEMS, ACCOMPANYING
6 DOCUMENTS AND PROCEEDS. (a) A collecting bank has a security interest
7 in an item and any accompanying documents or the proceeds of either:

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

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

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

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

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

25 (1) No security agreement is necessary to make the security
26 interest enforceable RCW 62A.9A-203(~~((b)(3)(A))~~) (2);

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

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

30 **Sec. 1303.** RCW 62A.5-118 and 2000 c 250 s 2 are each amended to
31 read as follows:

32 SECURITY INTEREST OF ISSUER OR NOMINATED PERSON. (a) An issuer or
33 nominated person has a security interest in a document presented under
34 a letter of credit to the extent that the issuer or nominated person
35 honors or gives value for the presentation.

1 (b) So long as and to the extent that an issuer or nominated person
2 has not been reimbursed or has not otherwise recovered the value given
3 with respect to a security interest in a document under subsection (a)
4 of this section, the security interest continues and is subject to
5 Article 9, but:

6 (1) A security agreement is not necessary to make the security
7 interest enforceable under RCW 62A.9A-203(~~((b)(3))~~) (2);

8 (2) If the document is presented in a medium other than a written
9 or other tangible medium, the security interest is perfected; and

10 (3) If the document is presented in a written or other tangible
11 medium and is not a certificated security, chattel paper, a document of
12 title, an instrument, or a letter of credit, the security interest is
13 perfected and has priority over a conflicting security interest in the
14 document so long as the debtor does not have possession of the
15 document.

16 **Sec. 1304.** RCW 62A.9A-110 and 2000 c 250 s 9A-110 are each amended
17 to read as follows:

18 SECURITY INTERESTS ARISING UNDER ARTICLE 2 OR 2A. A security
19 interest arising under RCW 62A.2-401, 62A.2-505, 62A.2-711(3), or
20 62A.2A-508(5) is subject to this article. However, until the debtor
21 obtains possession of the goods:

22 (1) The security interest is enforceable, even if RCW
23 62A.9A-203(~~((b)(3))~~) (2)(c) has not been satisfied;

24 (2) Filing is not required to perfect the security interest;

25 (3) The rights of the secured party after default by the debtor are
26 governed by Article 2 or 2A; and

27 (4) The security interest has priority over a conflicting security
28 interest created by the debtor.

29 **Sec. 1305.** RCW 62A.9A-306 and 2001 c 32 s 24 are each amended to
30 read as follows:

31 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS IN
32 LETTER-OF-CREDIT RIGHTS. (a) **Governing law: Issuer's or nominated**
33 **person's jurisdiction.** Subject to subsection (c) of this section, the
34 local law of the issuer's jurisdiction or a nominated person's
35 jurisdiction governs perfection, the effect of perfection or

1 nonperfection, and the priority of a security interest in a letter-of-
2 credit right if the issuer's jurisdiction or nominated person's
3 jurisdiction is a state.

4 (b) **Issuer's or nominated person's jurisdiction.** For purposes of
5 this part, an issuer's jurisdiction or nominated person's jurisdiction
6 is the jurisdiction whose law governs the liability of the issuer or
7 nominated person with respect to the letter-of-credit right as provided
8 in RCW 62A.5-116.

9 (c) **When section not applicable.** This section does not apply to a
10 security interest that is perfected only under RCW 62A.9A-308(~~(d)~~)
11 (4).

12 **Sec. 1306.** RCW 62A.9A-311 and 2001 c 32 s 25 are each amended to
13 read as follows:

14 PERFECTION OF SECURITY INTERESTS IN PROPERTY SUBJECT TO CERTAIN
15 STATUTES, REGULATIONS, AND TREATIES. (a) **Security interest subject to**
16 **other law.** Except as otherwise provided in subsection (d) of this
17 section, the filing of a financing statement is not necessary or
18 effective to perfect a security interest in property subject to:

19 (1) A statute, regulation, or treaty of the United States whose
20 requirements for a security interest's obtaining priority over the
21 rights of a lien creditor with respect to the property preempt RCW
22 62A.9A-310(~~(a)~~) (1);

23 (2) RCW 46.12.095 or 88.02.070, or chapter 65.12 RCW; or

24 (3) A certificate-of-title statute of another jurisdiction which
25 provides for a security interest to be indicated on the certificate as
26 a condition or result of the security interest's obtaining priority
27 over the rights of a lien creditor with respect to the property.

28 (b) **Compliance with other law.** Compliance with the requirements of
29 a statute, regulation, or treaty described in subsection (a) of this
30 section for obtaining priority over the rights of a lien creditor is
31 equivalent to the filing of a financing statement under this article.
32 Except as otherwise provided in subsection (d) of this section, RCW
33 62A.9A-313, and 62A.9A-316 (d) and (e) for goods covered by a
34 certificate of title, a security interest in property subject to a
35 statute, regulation, or treaty described in subsection (a) of this
36 section may be perfected only by compliance with those requirements,

1 and a security interest so perfected remains perfected notwithstanding
2 a change in the use or transfer of possession of the collateral.

3 (c) **Duration and renewal of perfection.** Except as otherwise
4 provided in subsection (d) of this section and RCW 62A.9A-316 (d) and
5 (e), duration and renewal of perfection of a security interest
6 perfected by compliance with the requirements prescribed by a statute,
7 regulation, or treaty described in subsection (a) of this section are
8 governed by the statute, regulation, or treaty. In other respects, the
9 security interest is subject to this article.

10 (d) **Inapplicability to certain inventory.** During any period in
11 which collateral subject to RCW 46.12.095 or 88.02.070, or chapter
12 65.12 RCW is inventory held for sale or lease by a person or leased by
13 that person as lessor and that person is in the business of selling
14 goods of that kind, this section does not apply to a security interest
15 in that collateral created by that person.

16 **Sec. 1307.** RCW 62A.9A-324 and 2000 c 250 s 9A-324 are each amended
17 to read as follows:

18 PRIORITY OF PURCHASE-MONEY SECURITY INTERESTS. (a) **General rule:**
19 **Purchase-money priority.** Except as otherwise provided in subsection
20 (g) of this section, a perfected purchase-money security interest in
21 goods other than inventory or livestock has priority over a conflicting
22 security interest in the same goods, and, except as otherwise provided
23 in RCW 62A.9A-327, a perfected security interest in its identifiable
24 proceeds also has priority, if the purchase-money security interest is
25 perfected when the debtor receives possession of the collateral or
26 within twenty days thereafter.

27 (b) **Inventory purchase-money priority.** Subject to subsection (c)
28 of this section and except as otherwise provided in subsection (g) of
29 this section, a perfected purchase-money security interest in inventory
30 has priority over a conflicting security interest in the same
31 inventory, has priority over a conflicting security interest in chattel
32 paper or an instrument constituting proceeds of the inventory and in
33 proceeds of the chattel paper, if so provided in RCW 62A.9A-330, and,
34 except as otherwise provided in RCW 62A.9A-327, also has priority in
35 identifiable cash proceeds of the inventory to the extent the
36 identifiable cash proceeds are received on or before the delivery of
37 the inventory to a buyer, if:

1 (1) The purchase-money security interest is perfected when the
2 debtor receives possession of the inventory;

3 (2) The purchase-money secured party sends an authenticated
4 notification to the holder of the conflicting security interest;

5 (3) The holder of the conflicting security interest receives the
6 notification within five years before the debtor receives possession of
7 the inventory; and

8 (4) The notification states that the person sending the
9 notification has or expects to acquire a purchase-money security
10 interest in inventory of the debtor and describes the inventory.

11 (c) **Holders of conflicting inventory security interests to be**
12 **notified.** Subsections (b)(2) through (4) of this section apply only if
13 the holder of the conflicting security interest had filed a financing
14 statement covering the same types of inventory:

15 (1) If the purchase-money security interest is perfected by filing,
16 before the date of the filing; or

17 (2) If the purchase-money security interest is temporarily
18 perfected without filing or possession under RCW 62A.9A-312(~~((f))~~) (6),
19 before the beginning of the twenty-day period thereunder.

20 (d) **Livestock purchase-money priority.** Subject to subsection (e)
21 of this section and except as otherwise provided in subsection (g) of
22 this section, a perfected purchase-money security interest in livestock
23 that are farm products has priority over a conflicting security
24 interest in the same livestock, and, except as otherwise provided in
25 RCW 62A.9A-327, a perfected security interest in their identifiable
26 proceeds and identifiable products in their unmanufactured states also
27 has priority, if:

28 (1) The purchase-money security interest is perfected when the
29 debtor receives possession of the livestock;

30 (2) The purchase-money secured party sends an authenticated
31 notification to the holder of the conflicting security interest;

32 (3) The holder of the conflicting security interest receives the
33 notification within six months before the debtor receives possession of
34 the livestock; and

35 (4) The notification states that the person sending the
36 notification has or expects to acquire a purchase-money security
37 interest in livestock of the debtor and describes the livestock.

1 (e) **Holders of conflicting livestock security interests to be**
2 **notified.** Subsections (d)(2) through (4) of this section apply only if
3 the holder of the conflicting security interest had filed a financing
4 statement covering the same types of livestock:

5 (1) If the purchase-money security interest is perfected by filing,
6 before the date of the filing; or

7 (2) If the purchase-money security interest is temporarily
8 perfected without filing or possession under RCW 62A.9A-312(~~(f)~~) (6),
9 before the beginning of the twenty-day period thereunder.

10 (f) **Software purchase-money priority.** Except as otherwise provided
11 in subsection (g) of this section, a perfected purchase-money security
12 interest in software has priority over a conflicting security interest
13 in the same collateral, and, except as otherwise provided in RCW
14 62A.9A-327, a perfected security interest in its identifiable proceeds
15 also has priority, to the extent that the purchase-money security
16 interest in the goods in which the software was acquired for use has
17 priority in the goods and proceeds of the goods under this section.

18 (g) **Conflicting purchase-money security interests.** If more than
19 one security interest qualifies for priority in the same collateral
20 under subsection (a), (b), (d), or (f) of this section:

21 (1) A security interest securing an obligation incurred as all or
22 part of the price of the collateral has priority over a security
23 interest securing an obligation incurred for value given to enable the
24 debtor to acquire rights in or the use of collateral; and

25 (2) In all other cases, RCW 62A.9A-322(a) applies to the qualifying
26 security interests.

27 **Sec. 1308.** RCW 62A.9A-508 and 2000 c 250 s 9A-508 are each amended
28 to read as follows:

29 EFFECTIVENESS OF FINANCING STATEMENT IF NEW DEBTOR BECOMES BOUND BY
30 SECURITY AGREEMENT. (a) **Financing statement naming original debtor.**
31 Except as otherwise provided in this section, a filed financing
32 statement naming an original debtor is effective to perfect a security
33 interest in collateral in which a new debtor has or acquires rights to
34 the extent that the financing statement would have been effective had
35 the original debtor acquired rights in the collateral.

36 (b) **Financing statement becoming seriously misleading.** If the
37 difference between the name of the original debtor and that of the new

1 debtor causes a filed financing statement that is effective under
2 subsection (a) of this section to be seriously misleading under RCW
3 62A.9A-506:

4 (1) The financing statement is effective to perfect a security
5 interest in collateral acquired by the new debtor before, and within
6 four months after, the new debtor becomes bound under RCW
7 62A.9A-203(~~((d))~~) (4); and

8 (2) The financing statement is not effective to perfect a security
9 interest in collateral acquired by the new debtor more than four months
10 after the new debtor becomes bound under RCW 62A.9A-203(~~((d))~~) (4)
11 unless an initial financing statement providing the name of the new
12 debtor is filed before the expiration of that time.

13 (c) **When section not applicable.** This section does not apply to
14 collateral as to which a filed financing statement remains effective
15 against the new debtor under RCW 62A.9A-507(a).

16 **Sec. 1309.** RCW 62A.9A-602 and 2000 c 250 s 9A-602 are each amended
17 to read as follows:

18 WAIVER AND VARIANCE OF RIGHTS AND DUTIES. Except as otherwise
19 provided in RCW 62A.9A-624, to the extent that they give rights to an
20 obligor (other than a secondary obligor) or a debtor and impose duties
21 on a secured party, the debtor or obligor may not waive or vary the
22 rules stated in the following listed sections:

23 (1) RCW 62A.9A-207(~~((b)(4)(c))~~) (2)(d)(iii), which deals with use
24 and operation of the collateral by the secured party;

25 (2) RCW 62A.9A-210, which deals with requests for an accounting and
26 requests concerning a list of collateral and statement of account;

27 (3) RCW 62A.9A-607(c), which deals with collection and enforcement
28 of collateral;

29 (4) RCW 62A.9A-608(a) and 62A.9A-615(c) to the extent that they
30 deal with application or payment of noncash proceeds of collection,
31 enforcement, or disposition;

32 (5) RCW 62A.9A-608(a) and 62A.9A-615(d) to the extent that they
33 require accounting for or payment of surplus proceeds of collateral;

34 (6) RCW 62A.9A-609 to the extent that it imposes upon a secured
35 party that takes possession of collateral without judicial process the
36 duty to do so without breach of the peace;

1 (7) RCW 62A.9A-610(b), 62A.9A-611, 62A.9A-613, and 62A.9A-614,
2 which deal with disposition of collateral;

3 (8) [Reserved]

4 (9) RCW 62A.9A-616, which deals with explanation of the calculation
5 of a surplus or deficiency;

6 (10) RCW 62A.9A-620, 62A.9A-621, and 62A.9A-622, which deal with
7 acceptance of collateral in satisfaction of obligation;

8 (11) RCW 62A.9A-623, which deals with redemption of collateral;

9 (12) RCW 62A.9A-624, which deals with permissible waivers; and

10 (13) RCW 62A.9A-625 and 62A.9A-626, which deal with the secured
11 party's liability for failure to comply with this article.

12 **PART XIV**

13 **ADMINISTRATIVE DRAFTING PROVISIONS**

14 NEW SECTION. **Sec. 1401.** RCW 62A.10-104 (Laws not repealed) and
15 1995 c 48 s 71 & 1965 ex.s. c 157 s 10-104 are each repealed.

16 NEW SECTION. **Sec. 1402.** CONTINGENT EFFECTIVE DATE. Section 701
17 of this act takes effect, unless chapter ---, Laws of 2009 (Z-0003/09
18 or Z-0004/09) is enacted.

19 NEW SECTION. **Sec. 1403.** CONTINGENT EFFECTIVE DATE. Section 702
20 of this act takes effect if chapter ---, Laws of 2009 (Z-0003/09 or
21 Z-0004/09) is enacted into law.

22 NEW SECTION. **Sec. 1404.** APPLICABILITY. This act applies to a
23 document of title that is issued or a bailment that arises on or after
24 the effective date of this section. This act does not apply to a
25 document of title that is issued or a bailment that arises before the
26 effective date of this section even if the document of title or
27 bailment would be subject to this act if the document of title had been
28 issued or bailment had arisen on or after the effective date of this
29 section. This act does not apply to a right of action that has accrued
30 before the effective date of this section.

31 NEW SECTION. **Sec. 1405.** SAVINGS CLAUSE. A document of title
32 issued or a bailment that arises before the effective date of this

1 section and the rights, obligations, and interests flowing from that
2 document or bailment are governed by any statute or other rule amended
3 or repealed by this act as if amendment or repeal had not occurred and
4 may be terminated, completed, consummated, or enforced under that
5 statute or other rule.

6 NEW SECTION. **Sec. 1406.** Part headings used in this act are not
7 any part of the law.

--- END ---