

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce and Economic Development to which was  
3 referred House Bill No. 311 entitled “An act relating to adopting revisions to  
4 Article 7 of the Uniform Commercial Code” respectfully reports that it has  
5 considered the same and recommends that the bill be amended by striking out  
6 all after the enacting clause and inserting in lieu thereof the following:

7 Sec. 1. REPEAL

8 9A V.S.A. article 7 is repealed.

9 Sec. 2. 9A V.S.A. article 7 is added to read:

10 ARTICLE 7. DOCUMENTS OF TITLE

11 Part 1. General

12 § 7-101. SHORT TITLE

13 This article may be cited as Uniform Commercial Code-Documents of Title.

14 § 7-102. DEFINITIONS AND INDEX OF DEFINITIONS

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

16 (1) “Bailee” means a person that by a warehouse receipt, bill of lading,  
17 or other document of title acknowledges possession of goods and contracts to  
18 deliver them.

19 (2) “Carrier” means a person that issues a bill of lading.

20 (3) “Consignee” means a person named in a bill of lading to which or to  
21 whose order the bill promises delivery.

1           (4) “Consignor” means a person named in a bill of lading as the person  
2           from which the goods have been received for shipment.

3           (5) “Delivery order” means a record that contains an order to deliver  
4           goods directed to a warehouse, carrier, or other person that in the ordinary  
5           course of business issues warehouse receipts or bills of lading.

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

8           (7) “Issuer” means a bailee that issues a document of title, or, in the case  
9           of an unaccepted delivery order, the person that orders the possessor of goods  
10          to deliver. The term includes a person for which an agent or employee  
11          purports to act in issuing a document if the agent or employee has real or  
12          apparent authority to issue documents, even if the issuer did not receive any  
13          goods, the goods were misdescribed, or in any other respect the agent or  
14          employee violated the issuer’s instructions.

15          (8) “Person entitled under the document” means the holder, in the case  
16          of a negotiable document of title, or the person to which delivery of the goods  
17          is to be made by the terms of, or pursuant to instructions in a record under, a  
18          nonnegotiable document of title.

19          (9) “Sign” means, with present intent to authenticate or adopt a record:

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

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

3           (10) “Shipper” means a person that enters into a contract of  
4           transportation with a carrier.

5           (11) “Warehouse” means a person engaged in the business of storing  
6           goods for hire.

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

9           (1) “Contract for sale,” Section 2-106.

10          (2) “Lessee in the ordinary course of business,” Section 2A-103.

11          (3) “Receipt” of goods, Section 2-103.

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

14          § 7-103. RELATION OF ARTICLE TO TREATY OR STATUTE

15          (a) This article is subject to any treaty or statute of the United States or  
16          regulatory statute of this State to the extent the treaty, statute, or regulatory  
17          statute is applicable.

18          (b) This article does not modify or repeal any law prescribing the form or  
19          content of a document of title or the services or facilities to be afforded by a  
20          bailee, or otherwise regulating a bailee’s business in respects not specifically  
21          treated in this article. However, violation of such a law does not affect the

1 status of a document of title that otherwise is within the definition of a  
2 document of title.

3 (c) This article modifies, limits, and supersedes the federal Electronic  
4 Signatures in Global and National Commerce Act (15 U.S.C. Section 7001, et.  
5 seq.) but does not modify, limit, or supersede Section 101(c) of that act  
6 (15 U.S.C. Section 7001(c)) or authorize electronic delivery of any of the  
7 notices described in Section 103(b) of that act (15 U.S.C. Section 7003(b)).

8 (d) To the extent there is a conflict between the Uniform Electronic  
9 Transactions Act (9 V.S.A. chapter 20) and this article, this article governs.

10 § 7-104. NEGOTIABLE AND NONNEGOTIABLE DOCUMENT OF  
11 TITLE

12 (a) Except as otherwise provided in subsection (c) of this section, a  
13 document of title is negotiable if by its terms the goods are to be delivered to  
14 bearer or to the order of a named person.

15 (b) A document of title other than one described in subsection (a) of this  
16 section is nonnegotiable. A bill of lading that states that the goods are  
17 consigned to a named person is not made negotiable by a provision that the  
18 goods are to be delivered only against an order in a record signed by the same  
19 or another named person.

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

4       § 7-105. REISSUANCE IN ALTERNATIVE MEDIUM

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

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

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

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

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

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

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

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

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

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

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

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

12          § 7-106. CONTROL OF ELECTRONIC DOCUMENT OF TITLE

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

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

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

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

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

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

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

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

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

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

17                   Part 2. Warehouse Receipts: Special Provisions

18           § 7-201. PERSON THAT MAY ISSUE A WAREHOUSE RECEIPT;

19                   STORAGE UNDER BOND

20           (a) A warehouse receipt may be issued by any warehouse.

1        (b) If goods, including distilled spirits and agricultural commodities, are  
2        stored under a statute requiring a bond against withdrawal or a license for the  
3        issuance of receipts in the nature of warehouse receipts, a receipt issued for the  
4        goods is deemed to be a warehouse receipt even if issued by a person that is  
5        the owner of the goods and is not a warehouse.

6        § 7-202. FORM OF WAREHOUSE RECEIPT; EFFECT OF OMISSION

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

8        (b) Unless a warehouse receipt provides for each of the following, the  
9        warehouse is liable for damages caused to a person injured by its omission:

10        (1) a statement of the location of the warehouse facility where the goods  
11        are stored;

12        (2) the date of issue of the receipt;

13        (3) the unique identification code of the receipt;

14        (4) a statement whether the goods received will be delivered to the  
15        bearer, to a named person, or to a named person or its order;

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

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

20        (7) the signature of the warehouse or its agent;



1           (8) if the receipt is issued for goods that the warehouse owns, either  
2           solely, jointly, or in common with others, a statement of the fact of that  
3           ownership; and

4           (9) a statement of the amount of advances made and of liabilities  
5           incurred for which the warehouse claims a lien or security interest, unless the  
6           precise amount of advances made or liabilities incurred, at the time of the issue  
7           of the receipt, is unknown to the warehouse or to its agent that issued the  
8           receipt, in which case a statement of the fact that advances have been made or  
9           liabilities incurred and the purpose of the advances or liabilities is sufficient.

10          (c) A warehouse may insert in its receipt any terms that are not contrary to  
11          this title and do not impair its obligation of delivery under section 7-403 of this  
12          title or its duty of care under section 7-204 of this title. Any contrary provision  
13          is ineffective.

14          § 7-203. LIABILITY FOR NONRECEIPT OR MISDESCRIPTION

15          A party to or purchaser for value in good faith of a document of title, other  
16          than a bill of lading, that relies upon the description of the goods in the  
17          document may recover from the issuer damages caused by the nonreceipt or  
18          misdescription of the goods, except to the extent that:

19               (1) the document conspicuously indicates that the issuer does not know  
20               whether all or part of the goods in fact were received or conform to the  
21               description, such as a case in which the description is in terms of marks or

1 labels or kind, quantity, or condition, or the receipt or description is qualified  
2 by “contents, condition, and quality unknown”, “said to contain”, or words of  
3 similar import, if the indication is true; or

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

6 § 7-204. DUTY OF CARE; CONTRACTUAL LIMITATION OF

7 WAREHOUSE’S LIABILITY

8 (a) A warehouse is liable for damages for loss of or injury to the goods  
9 caused by its failure to exercise care with regard to the goods that a reasonably  
10 careful person would exercise under similar circumstances. Unless otherwise  
11 agreed, the warehouse is not liable for damages that could not have been  
12 avoided by the exercise of that care.

13 (b) Damages may be limited by a term in the warehouse receipt or storage  
14 agreement limiting the amount of liability in case of loss or damage beyond  
15 which the warehouse is not liable. Such a limitation is not effective with  
16 respect to the warehouse’s liability for conversion to its own use. On request  
17 of the bailor in a record at the time of signing the storage agreement or within a  
18 reasonable time after receipt of the warehouse receipt, the warehouse’s liability  
19 may be increased on part or all of the goods covered by the storage agreement  
20 or the warehouse receipt. In this event, increased rates may be charged based  
21 on an increased valuation of the goods.

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

4        § 7-205. TITLE UNDER WAREHOUSE RECEIPT DEFEATED IN  
5        CERTAIN CASES

6        A buyer in ordinary course of business of fungible goods sold and delivered  
7        by a warehouse that is also in the business of buying and selling such goods  
8        takes the goods free of any claim under a warehouse receipt even if the receipt  
9        is negotiable and has been duly negotiated.

10       § 7-206. TERMINATION OF STORAGE AT WAREHOUSE'S OPTION

11       (a) A warehouse, by giving notice to the person on whose account the  
12       goods are held and any other person known to claim an interest in the goods,  
13       may require payment of any charges and removal of the goods from the  
14       warehouse at the termination of the period of storage fixed by the document of  
15       title or, if a period is not fixed, within a stated period not less than 30 days after  
16       the warehouse gives notice. If the goods are not removed before the date  
17       specified in the notice, the warehouse may sell them pursuant to section 7-210  
18       of this title.

19       (b) If a warehouse in good faith believes that goods are about to deteriorate  
20       or decline in value to less than the amount of its lien within the time provided  
21       in subsection (a) of this section and section 7-210 of this title, the warehouse

1 may specify in the notice given under subsection (a) of this section any  
2 reasonable shorter time for removal of the goods and, if the goods are not  
3 removed, may sell them at public sale held not less than one week after a  
4 single advertisement or posting.

5 (c) If, as a result of a quality or condition of the goods of which the  
6 warehouse did not have notice at the time of deposit, the goods are a hazard to  
7 other property, the warehouse facilities, or other persons, the warehouse may  
8 sell the goods at public or private sale without advertisement or posting on  
9 reasonable notification to all persons known to claim an interest in the goods.  
10 If the warehouse, after a reasonable effort, is unable to sell the goods, it may  
11 dispose of them in any lawful manner and does not incur liability by reason of  
12 that disposition.

13 (d) A warehouse shall deliver the goods to any person entitled to them  
14 under this article upon due demand made at any time before sale or other  
15 disposition under this section.

16 (e) A warehouse may satisfy its lien from the proceeds of any sale or  
17 disposition under this section but shall hold the balance for delivery on the  
18 demand of any person to which the warehouse would have been bound to  
19 deliver the goods.

1     § 7-207. GOODS SHALL BE KEPT SEPARATE; FUNGIBLE GOODS

2           (a) Unless the warehouse receipt provides otherwise, a warehouse shall  
3     keep separate the goods covered by each receipt so as to permit at all times  
4     identification and delivery of those goods. However, different lots of fungible  
5     goods may be commingled.

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

12    § 7-208. ALTERED WAREHOUSE RECEIPTS

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

18    § 7-209. LIEN OF WAREHOUSE

19           (a) A warehouse has a lien against the bailor on the goods covered by a  
20    warehouse receipt or storage agreement or on the proceeds thereof in its  
21    possession for charges for storage or transportation, including demurrage and

1 terminal charges, insurance, labor, or other charges, present or future, in  
2 relation to the goods, and for expenses necessary for preservation of the goods  
3 or reasonably incurred in their sale pursuant to law. If the person on whose  
4 account the goods are held is liable for similar charges or expenses in relation  
5 to other goods whenever deposited and it is stated in the warehouse receipt or  
6 storage agreement that a lien is claimed for charges and expenses in relation to  
7 other goods, the warehouse also has a lien against the goods covered by the  
8 warehouse receipt or storage agreement or on the proceeds thereof in its  
9 possession for those charges and expenses, whether or not the other goods have  
10 been delivered by the warehouse. However, as against a person to which a  
11 negotiable warehouse receipt is duly negotiated, a warehouse's lien is limited  
12 to charges in an amount or at a rate specified in the warehouse receipt or, if no  
13 charges are so specified, to a reasonable charge for storage of the specific  
14 goods covered by the receipt subsequent to the date of the receipt.

15 (b) A warehouse may also reserve a security interest against the bailor for  
16 the maximum amount specified on the receipt for charges other than those  
17 specified in subsection (a) of this section, such as for money advanced and  
18 interest. The security interest is governed by article 9 of this title.

19 (c) A warehouse's lien for charges and expenses under subsection (a) of  
20 this section or a security interest under subsection (b) of this section is also  
21 effective against any person that so entrusted the bailor with possession of the

1 goods that a pledge of them by the bailor to a good-faith purchaser for value  
2 would have been valid. However, the lien or security interest is not effective  
3 against a person that before issuance of a document of title had a legal interest  
4 or a perfected security interest in the goods and that did not:

5 (1) deliver or entrust the goods or any document of title covering the  
6 goods to the bailor or the bailor’s nominee with:

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

8 (B) power to obtain delivery under section 7-403 of this title; or

9 (C) power of disposition under sections 2-403, 2A-304(2), 2A-  
10 305(2), 9-320, or 9-321(c) of this title, or other statute or rule of law; or

11 (2) acquiesce in the procurement by the bailor or its nominee of any  
12 document.

13 (d) A warehouse’s lien on household goods for charges and expenses in  
14 relation to the goods under subsection (a) of this section is also effective  
15 against all persons if the depositor was the legal possessor of the goods at the  
16 time of deposit. In this subsection, “household goods” means furniture,  
17 furnishings, or personal effects used by the depositor in a dwelling.

18 (e) A warehouse loses its lien on any goods that it voluntarily delivers or  
19 unjustifiably refuses to deliver.

1        § 7-210. ENFORCEMENT OF WAREHOUSE'S LIEN

2            (a) Except as otherwise provided in subsection (b) of this section, a  
3        warehouse's lien may be enforced by public or private sale of the goods, in  
4        bulk or in packages, at any time or place and on any terms that are  
5        commercially reasonable, after notifying all persons known to claim an interest  
6        in the goods. The notification shall include a statement of the amount due, the  
7        nature of the proposed sale, and the time and place of any public sale. The fact  
8        that a better price could have been obtained by a sale at a different time or in a  
9        method different from that selected by the warehouse is not of itself sufficient  
10       to establish that the sale was not made in a commercially reasonable manner.  
11       The warehouse sells in a commercially reasonable manner if the warehouse  
12       sells the goods in the usual manner in any recognized market therefore, sells at  
13       the price current in that market at the time of the sale, or otherwise sells in  
14       conformity with commercially reasonable practices among dealers in the type  
15       of goods sold. A sale of more goods than apparently necessary to be offered to  
16       ensure satisfaction of the obligation is not commercially reasonable, except in  
17       cases covered by the preceding sentence.

18            (b) A warehouse may enforce its lien on goods, other than goods stored by  
19        a merchant in the course of its business, only if the following requirements are  
20        satisfied:

21            (1) All persons known to claim an interest in the goods shall be notified.



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

6           (3) The sale shall conform to the terms of the notification.

7           (4) The sale shall be held at the nearest suitable place to where the  
8           goods are held or stored.

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

18          (c) Before any sale pursuant to this section, any person claiming a right in  
19          the goods may pay the amount necessary to satisfy the lien and the reasonable  
20          expenses incurred in complying with this section. In that event, the goods may

1 not be sold but shall be retained by the warehouse subject to the terms of the  
2 receipt and this article.

3 (d) A warehouse may buy at any public sale held pursuant to this section.

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

7 (f) A warehouse may satisfy its lien from the proceeds of any sale pursuant  
8 to this section but shall hold the balance, if any, for delivery on demand to any  
9 person to which the warehouse would have been bound to deliver the goods.

10 (g) The rights provided by this section are in addition to all other rights  
11 allowed by law to a creditor against a debtor.

12 (h) If a lien is on goods stored by a merchant in the course of its business,  
13 the lien may be enforced in accordance with subsection (a) or (b) of this  
14 section.

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

1 Part 3. Bills Of Lading: Special Provisions

2 § 7-301. LIABILITY FOR NONRECEIPT OR MISDESCRIPTION; “SAID  
3 TO CONTAIN”; “SHIPPER’S WEIGHT, LOAD, AND COUNT”;  
4 IMPROPER HANDLING

5 (a) A consignee of a nonnegotiable bill of lading which has given value in  
6 good faith, or a holder to which a negotiable bill has been duly negotiated,  
7 relying upon the description of the goods in the bill or upon the date shown in  
8 the bill, may recover from the issuer damages caused by the misdating of the  
9 bill or the nonreceipt or misdescription of the goods, except to the extent that  
10 the bill indicates that the issuer does not know whether any part or all of the  
11 goods in fact were received or conform to the description, such as in a case in  
12 which the description is in terms of marks or labels or kind, quantity, or  
13 condition or the receipt or description is qualified by “contents or condition of  
14 contents of packages unknown,” “said to contain,” “shipper’s weight, load, and  
15 count,” or words of similar import, if that indication is true.

16 (b) If goods are loaded by the issuer of a bill of lading;

17 (1) the issuer shall count the packages of goods if shipped in packages  
18 and ascertain the kind and quantity if shipped in bulk; and

19 (2) words such as “shipper’s weight, load, and count,” or words of  
20 similar import indicating that the description was made by the shipper are  
21 ineffective except as to goods concealed in packages.

1       (c) If bulk goods are loaded by a shipper that makes available to the issuer  
2       of a bill of lading adequate facilities for weighing those goods, the issuer shall  
3       ascertain the kind and quantity within a reasonable time after receiving the  
4       shipper’s request in a record to do so. In that case, “shipper’s weight” or  
5       words of similar import are ineffective.

6       (d) The issuer of a bill of lading, by including in the bill the words  
7       “shipper’s weight, load, and count,” or words of similar import, may indicate  
8       that the goods were loaded by the shipper, and, if that statement is true, the  
9       issuer is not liable for damages caused by the improper loading. However,  
10       omission of such words does not imply liability for damages caused by  
11       improper loading.

12       (e) A shipper guarantees to an issuer the accuracy at the time of shipment  
13       of the description, marks, labels, number, kind, quantity, condition, and  
14       weight, as furnished by the shipper, and the shipper shall indemnify the issuer  
15       against damage caused by inaccuracies in those particulars. This right of  
16       indemnity does not limit the issuer’s responsibility or liability under the  
17       contract of carriage to any person other than the shipper.

18       § 7-302. THROUGH BILLS OF LADING AND SIMILAR DOCUMENTS

19               OF TITLE

20       (a) The issuer of a through bill of lading, or other document of title  
21       embodying an undertaking to be performed in part by a person acting as its

1 agent or by a performing carrier, is liable to any person entitled to recover on  
2 the bill or other document for any breach by the other person or the performing  
3 carrier of its obligation under the bill or other document. However, to the  
4 extent that the bill or other document covers an undertaking to be performed  
5 overseas or in territory not contiguous to the continental United States or an  
6 undertaking including matters other than transportation, this liability for breach  
7 by the other person or the performing carrier may be varied by agreement of  
8 the parties.

9 (b) If goods covered by a through bill of lading or other document of title  
10 embodying an undertaking to be performed in part by a person other than the  
11 issuer are received by that person, the person is subject, with respect to its own  
12 performance while the goods are in its possession, to the obligation of the  
13 issuer. The person's obligation is discharged by delivery of the goods to  
14 another person pursuant to the bill or other document and does not include  
15 liability for breach by any other person or by the issuer.

16 (c) The issuer of a through bill of lading or other document of title  
17 described in subsection (a) of this section is entitled to recover from the  
18 performing carrier, or other person in possession of the goods when the breach  
19 of the obligation under the bill or other document occurred:

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

4           (2) the amount of any expense reasonably incurred by the issuer in  
5           defending any action commenced by any person entitled to recover on the bill  
6           or other document for the breach.

7           § 7-303. DIVERSION; RECONSIGNMENT; CHANGE OF

8                   INSTRUCTIONS

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

13                   (1) the holder of a negotiable bill;

14                   (2) the consignor on a nonnegotiable bill, even if the consignee has  
15           given contrary instructions;

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

20                   (4) the consignee on a nonnegotiable bill, if the consignee is entitled as  
21           against the consignor to dispose of the goods.

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

4        § 7-304. TANGIBLE BILLS OF LADING IN A SET

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

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

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

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

1       (e) The bailee shall deliver in accordance with part 4 of this article against  
2       the first presented part of a tangible bill of lading lawfully issued in a set.  
3       Delivery in this manner discharges the bailee’s obligation on the whole bill.

4       § 7-305. DESTINATION BILLS

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

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

13       § 7-306. ALTERED BILLS OF LADING

14       An unauthorized alteration or filling in of a blank in a bill of lading leaves  
15       the bill enforceable according to its original tenor.

16       § 7-307. LIEN OF CARRIER

17       (a) A carrier has a lien on the goods covered by a bill of lading or on the  
18       proceeds thereof in its possession for charges after the date of the carrier’s  
19       receipt of the goods for storage or transportation, including demurrage and  
20       terminal charges, and for expenses necessary for preservation of the goods  
21       incident to their transportation or reasonably incurred in their sale pursuant to



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

4 (b) A lien for charges and expenses under subsection (a) of this section on  
5 goods that the carrier was required by law to receive for transportation is  
6 effective against the consignor or any person entitled to the goods unless the  
7 carrier had notice that the consignor lacked authority to subject the goods to  
8 those charges and expenses. Any other lien under subsection (a) of this section  
9 is effective against the consignor and any person that permitted the bailor to  
10 have control or possession of the goods unless the carrier had notice that the  
11 bailor lacked authority.

12 (c) A carrier loses its lien on any goods that it voluntarily delivers or  
13 unjustifiably refuses to deliver.

14 § 7-308. ENFORCEMENT OF CARRIER'S LIEN

15 (a) A carrier's lien on goods may be enforced by public or private sale of  
16 the goods, in bulk or in packages, at any time or place and on any terms that  
17 are commercially reasonable, after notifying all persons known to claim an  
18 interest in the goods. The notification shall include a statement of the amount  
19 due, the nature of the proposed sale, and the time and place of any public sale.  
20 The fact that a better price could have been obtained by a sale at a different  
21 time or in a method different from that selected by the carrier is not of itself

1 sufficient to establish that the sale was not made in a commercially reasonable  
2 manner. The carrier sells goods in a commercially reasonable manner if the  
3 carrier sells the goods in the usual manner in any recognized market therefor,  
4 sells at the price current in that market at the time of the sale, or otherwise sells  
5 in conformity with commercially reasonable practices among dealers in the  
6 type of goods sold. A sale of more goods than apparently necessary to be  
7 offered to ensure satisfaction of the obligation is not commercially reasonable,  
8 except in cases covered by the preceding sentence.

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

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

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

18 (e) A carrier may satisfy its lien from the proceeds of any sale pursuant to  
19 this section but shall hold the balance, if any, for delivery on demand to any  
20 person to which the carrier would have been bound to deliver the goods.

1        (f) The rights provided by this section are in addition to all other rights  
2        allowed by law to a creditor against a debtor.

3        (g) A carrier's lien may be enforced pursuant to either subsection (a) of this  
4        section or the procedure set forth in subsection 7-210(b) of this title.

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

8        § 7-309. DUTY OF CARE; CONTRACTUAL LIMITATION OF  
9        CARRIER'S LIABILITY

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

15       (b) Damages may be limited by a term in the bill of lading or in a  
16       transportation agreement that the carrier's liability may not exceed a value  
17       stated in the bill or transportation agreement if the carrier's rates are dependent  
18       upon value and the consignor is afforded an opportunity to declare a higher  
19       value and the consignor is advised of the opportunity. However, such a  
20       limitation is not effective with respect to the carrier's liability for conversion to  
21       its own use.

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

4                                Part 4. Warehouse Receipts and Bills of Lading:

5    General Obligations

6        § 7-401. IRREGULARITIES IN ISSUE OF RECEIPT OR BILL OR  
7                                CONDUCT OF ISSUER

8        The obligations imposed by this article on an issuer apply to a document of  
9        title even if:

10                (1) the document does not comply with the requirements of this article  
11                or of any other statute, rule, or regulation regarding its issuance, form, or  
12                content;

13                (2) the issuer violated laws regulating the conduct of its business;

14                (3) the goods covered by the document were owned by the bailee when  
15                the document was issued; or

16                (4) the person issuing the document is not a warehouse but the  
17                document purports to be a warehouse receipt.

18        § 7-402. DUPLICATE DOCUMENT OF TITLE; OVERISSUE

19        A duplicate or any other document of title purporting to cover goods  
20        already represented by an outstanding document of the same issuer does not  
21        confer any right in the goods, except as provided in the case of tangible bills of

1 lading in a set of parts, overissue of documents for fungible goods, substitutes  
2 for lost, stolen, or destroyed documents, or substitute documents issued  
3 pursuant to section 7-105 of this title. The issuer is liable for damages caused  
4 by its overissue or failure to identify a duplicate document by a conspicuous  
5 notation.

6 § 7-403. OBLIGATION OF BAILEE TO DELIVER; EXCUSE

7 (a) A bailee shall deliver the goods to a person entitled under a document  
8 of title if the person complies with subsections (b) and (c) of this section,  
9 unless and to the extent that the bailee establishes any of the following:

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

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

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

16 (4) the exercise by a seller of its right to stop delivery pursuant to  
17 section 2-705 of this title or by a lessor of its right to stop delivery pursuant to  
18 section 2A-526 of this title;

19 (5) a diversion, reconsignment, or other disposition pursuant to section  
20 7-303 of this title;

1           (6) release, satisfaction, or any other personal defense against the  
2           claimant; or

3           (7) any other lawful excuse.

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

7           (c) Unless a person claiming the goods is a person against which the  
8           document of title does not confer a right under subsection 7-503(a) of this title:

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

12          (2) the bailee shall cancel the document or conspicuously indicate in the  
13          document the partial delivery or the bailee is liable to any person to which the  
14          document is duly negotiated.

15          § 7-404. NO LIABILITY FOR GOOD-FAITH DELIVERY PURSUANT TO

16                   DOCUMENT OF TITLE

17          A bailee that in good faith has received goods and delivered or otherwise  
18          disposed of the goods according to the terms of a document of title or pursuant  
19          to this article is not liable for the goods even if:

20                 (1) the person from which the bailee received the goods did not have  
21                 authority to procure the document or to dispose of the goods; or

1           (2) the person to which the bailee delivered the goods did not have  
2 authority to receive the goods.

3                   Part 5. Warehouse Receipts And Bills Of Lading:

4                               Negotiation And Transfer

5           § 7-501. FORM OF NEGOTIATION AND REQUIREMENTS OF DUE

6                               NEGOTIATION

7           (a) The following rules apply to a negotiable tangible document of title:

8                   (1) If the document's original terms run to the order of a named person,  
9 the document is negotiated by the named person's indorsement and delivery.  
10 After the named person's indorsement in blank or to bearer, any person may  
11 negotiate the document by delivery alone.

12                   (2) If the document's original terms run to bearer, it is negotiated by  
13 delivery alone.

14                   (3) If the document's original terms run to the order of a named person  
15 and it is delivered to the named person, the effect is the same as if the  
16 document had been negotiated.

17                   (4) Negotiation of the document after it has been indorsed to a named  
18 person requires indorsement by the named person and delivery.

19                   (5) A document is duly negotiated if it is negotiated in the manner stated  
20 in this subsection to a holder that purchases it in good faith, without notice of  
21 any defense against or claim to it on the part of any person, and for value,

1 unless it is established that the negotiation is not in the regular course of  
2 business or financing or involves receiving the document in settlement or  
3 payment of a monetary obligation.

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

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

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

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

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



1        (d) The naming in a negotiable bill of lading of a person to be notified of  
2        the arrival of the goods does not limit the negotiability of the bill or constitute  
3        notice to a purchaser of the bill of any interest of that person in the goods.

4        § 7-502. RIGHTS ACQUIRED BY DUE NEGOTIATION

5        (a) Subject to sections 7-205 and 7-503 of this title, a holder to which a  
6        negotiable document of title has been duly negotiated acquires thereby:

7            (1) title to the document;

8            (2) title to the goods;

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

11            (4) the direct obligation of the issuer to hold or deliver the goods  
12        according to the terms of the document free of any defense or claim by the  
13        issuer except those arising under the terms of the document or under this  
14        article, but in the case of a delivery order, the bailee's obligation accrues only  
15        upon the bailee's acceptance of the delivery order and the obligation acquired  
16        by the holder is that the issuer and any indorser will procure the acceptance of  
17        the bailee.

18        (b) Subject to section 7-503 of this title, title and rights acquired by due  
19        negotiation are not defeated by any stoppage of the goods represented by the  
20        document of title or by surrender of the goods by the bailee and are not  
21        impaired even if:

1           (1) the due negotiation or any prior due negotiation constituted a breach  
2 of duty;

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

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

8           § 7-503. DOCUMENT OF TITLE TO GOODS DEFEATED IN CERTAIN  
9           CASES

10           (a) A document of title confers no right in goods against a person that  
11 before issuance of the document had a legal interest or a perfected security  
12 interest in the goods and that did not:

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

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

16                   (B) power to obtain delivery under section 7-403 of this title; or

17                   (C) power of disposition under section 2-403, subdivisions  
18 2A-304(2) or 2A-305(2), section 9-320, or subsection 9-321(c) of this title or  
19 other statute or rule of law; or

20           (2) acquiesce in the procurement by the bailor or its nominee of any  
21 document.

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

6        (c) Title to goods based upon a bill of lading issued to a freight forwarder is  
7        subject to the rights of any person to which a bill issued by the freight  
8        forwarder is duly negotiated. However, delivery by the carrier in accordance  
9        with part 4 of this article pursuant to its own bill of lading discharges the  
10       carrier's obligation to deliver.

11       § 7-504. RIGHTS ACQUIRED IN ABSENCE OF DUE NEGOTIATION;

12                    EFFECT OF DIVERSION; STOPPAGE OF DELIVERY

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

17        (b) In the case of a transfer of a nonnegotiable document of title, until but  
18        not after the bailee receives notice of the transfer, the rights of the transferee  
19        may be defeated:

20                    (1) by those creditors of the transferor which could treat the transfer as  
21        void under section 2-402 or 2A-308 of this title;

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

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

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

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

15          (d) Delivery of the goods pursuant to a nonnegotiable document of title  
16          may be stopped by a seller under section 2-705 of this title or a lessor under  
17          section 2A-526 of this title, subject to the requirements of due notification in  
18          those sections. A bailee that honors the seller's or lessor's instructions is  
19          entitled to be indemnified by the seller or lessor against any resulting loss or  
20          expense.

1     § 7-505. INDORSER NOT GUARANTOR FOR OTHER PARTIES

2             The indorsement of a tangible document of title issued by a bailee does not  
3     make the indorser liable for any default by the bailee or previous indorsers.

4     § 7-506. DELIVERY WITHOUT INDORSEMENT: RIGHT TO COMPEL

5                     INDORSEMENT

6             The transferee of a negotiable tangible document of title has a specifically  
7     enforceable right to have its transferor supply any necessary indorsement, but  
8     the transfer becomes a negotiation only as of the time the indorsement is  
9     supplied.

10    § 7-507. WARRANTIES ON NEGOTIATION OR DELIVERY OF

11                     DOCUMENT OF TITLE

12             If a person negotiates or delivers a document of title for value, otherwise  
13     than as a mere intermediary under section 7-508 of this title, unless otherwise  
14     agreed, the transferor, in addition to any warranty made in selling or leasing  
15     the goods, warrants to its immediate purchaser only that:

16                     (1) the document is genuine;

17                     (2) the transferor does not have knowledge of any fact that would impair  
18     the document's validity or worth; and

19                     (3) the negotiation or delivery is rightful and fully effective with respect  
20     to the title to the document and the goods it represents.

1     § 7-508. WARRANTIES OF COLLECTING BANK AS TO DOCUMENTS

2             OF TITLE

3             A collecting bank or other intermediary known to be entrusted with  
4     documents of title on behalf of another or with collection of a draft or other  
5     claim against delivery of documents warrants by the delivery of the documents  
6     only its own good faith and authority even if the collecting bank or other  
7     intermediary has purchased or made advances against the claim or draft to be  
8     collected.

9     § 7-509. ADEQUATE COMPLIANCE WITH COMMERCIAL CONTRACT

10            Whether a document of title is adequate to fulfill the obligations of a  
11     contract for sale, a contract for lease, or the conditions of a letter of credit is  
12     determined by article 2, 2A, or 5 of this title.

13                    Part 6. Warehouse Receipts and Bills of Lading:

14                            Miscellaneous Provisions

15     § 7-601. LOST, STOLEN, OR DESTROYED DOCUMENTS OF TITLE

16            (a) If a document of title is lost, stolen, or destroyed, a court may order  
17     delivery of the goods or issuance of a substitute document and the bailee may  
18     without liability to any person comply with the order. If the document was  
19     negotiable, a court may not order delivery of the goods or issuance of a  
20     substitute document without the claimant's posting security unless it finds that  
21     any person that may suffer loss as a result of nonsurrender of possession or

1 control of the document is adequately protected against the loss. If the  
2 document was nonnegotiable, the court may require security. The court may  
3 also order payment of the bailee's reasonable costs and attorney's fees in any  
4 action under this subsection.

5 (b) A bailee that, without a court order, delivers goods to a person claiming  
6 under a missing negotiable document of title is liable to any person injured  
7 thereby. If the delivery is not in good faith, the bailee is liable for conversion.  
8 Delivery in good faith is not conversion if the claimant posts security with the  
9 bailee in an amount at least double the value of the goods at the time of posting  
10 to indemnify any person injured by the delivery which files a notice of claim  
11 within one year after the delivery.

12 § 7-602. JUDICIAL PROCESS AGAINST GOODS COVERED BY  
13 NEGOTIABLE DOCUMENT OF TITLE

14 Unless a document of title was originally issued upon delivery of the goods  
15 by a person that did not have power to dispose of them, a lien does not attach  
16 by virtue of any judicial process to goods in the possession of a bailee for  
17 which a negotiable document of title is outstanding unless possession or  
18 control of the document is first surrendered to the bailee or the document's  
19 negotiation is enjoined. The bailee may not be compelled to deliver the goods  
20 pursuant to process until possession or control of the document is surrendered  
21 to the bailee or to the court. A purchaser of the document for value without

1 notice of the process or injunction takes free of the lien imposed by judicial  
2 process.

3 § 7-603. CONFLICTING CLAIMS; INTERPLEADER

4 If more than one person claims title to or possession of the goods, the bailee  
5 is excused from delivery until the bailee has a reasonable time to ascertain the  
6 validity of the adverse claims or to commence an action for interpleader. The  
7 bailee may assert an interpleader either in defending an action for nondelivery  
8 of the goods or by original action.

9 Sec. 3. 9A V.S.A. article 1 is amended to read:

10 ARTICLE 1. GENERAL PROVISIONS

11 \* \* \*

12 § 1-201. GENERAL DEFINITIONS

13 \* \* \*

14 (b) Subject to definitions contained in other articles of this title that apply  
15 to particular articles or parts thereof:

16 \* \* \*

17 (5) “Bearer” means a person in control of a negotiable electronic  
18 document of title or a person in possession of a negotiable instrument,  
19 negotiable tangible document of title, or certificated security that is payable to  
20 bearer or indorsed in blank.



1 (6) “Bill of lading” means a document of title evidencing the receipt of  
2 goods for shipment issued by a person engaged in the business of directly or  
3 indirectly transporting or forwarding goods. The term does not include a  
4 warehouse receipt.

5 \* \* \*

6 (15) “Delivery,” with respect to an electronic document of title means  
7 voluntary transfer of control and with respect to an instrument, a tangible  
8 document of title, or chattel paper, means voluntary transfer of possession.

9 (16) “Document of title” ~~includes bill of lading, dock warrant, dock~~  
10 ~~receipt, warehouse receipt or order for the delivery of goods, and also any~~  
11 ~~other document which~~ means a record (i) that in the regular course of business  
12 or financing is treated as adequately evidencing that the person in possession  
13 or control of the record ~~is~~ entitled to receive, control, hold, and dispose of the  
14 ~~document~~ record and the goods ~~the record covers~~ and (ii) that purports to be  
15 issued by or addressed to a bailee and to cover goods in the bailee’s possession  
16 which are either identified or are fungible portions of an identified mass The  
17 term includes a bill of lading, transport document, dock warrant, dock receipt,  
18 warehouse receipt, and order for delivery of goods. ~~To be a document of title,~~  
19 ~~a document must purport to be issued by or addressed to a bailee and purport to~~  
20 ~~cover goods in the bailee’s possession which are either identified or are~~  
21 ~~fungible portions of an identified mass~~ An electronic document of title means a

1 document of title evidenced by a record consisting of information stored in an  
2 electronic medium. A tangible document of title means a document of title  
3 evidenced by a record consisting of information that is inscribed on a tangible  
4 medium.

5 \* \* \*

6 (21) “Holder” means:

7 (A) the person in possession of a negotiable instrument that is  
8 payable either to bearer or to an identified person that is the person in  
9 possession; ~~or~~

10 (B) the person in possession of a negotiable tangible document of  
11 title if the goods are deliverable either to bearer or to the order of the person in  
12 possession; or

13 (C) the person in control of a negotiable electronic document of title.

14 \* \* \*

15 (42) “Warehouse receipt” means a ~~receipt~~ document of title issued by a  
16 person engaged in the business of storing goods for hire.

17 \* \* \*

18 Sec. 4. 9A V.S.A. article 2 is amended to read:

19 ARTICLE 2. SALES

20 \* \* \*

21 § 2-103. DEFINITIONS AND INDEX OF DEFINITIONS

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\* \* \*

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

- “Check”. Section 3-104.
- “Consignee”. Section 7-102.
- “Consignor”. Section 7-102.
- “Consumer goods”. Section 9-102.
- “Dishonor”. Section 3-502.
- “Draft”. Section 3-104.

\* \* \*

§ 2-104. DEFINITIONS: “MERCHANT”; “BETWEEN MERCHANTS”;  
“FINANCING AGENCY”

\* \* \*

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

1 persons who are in the position of seller and buyer in respect to the goods  
2 (§ 2-707).

3 \* \* \*

4 § 2-310. OPEN TIME FOR PAYMENT OR RUNNING OF CREDIT;

5 AUTHORITY TO SHIP UNDER RESERVATION

6 Unless otherwise agreed:

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

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

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

20 (d) where the seller is required or authorized to ship the goods on credit  
21 the credit period runs from the time of shipment but post-dating the invoice or

1 delaying its dispatch will correspondingly delay the starting of the credit  
2 period.

3 \* \* \*

4 § 2-323. FORM OF BILL OF LADING REQUIRED IN OVERSEAS  
5 SHIPMENT; "OVERSEAS"

6 \* \* \*

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

12 \* \* \*

13 § 2-401. PASSING OF TITLE; RESERVATION FOR SECURITY;  
14 LIMITED APPLICATION OF THIS SECTION

15 \* \* \*

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

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

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

4 \* \* \*

5 § 2-503. MANNER OF SELLER'S TENDER OF DELIVERY

6 \* \* \*

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

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

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

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

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

4 (b) tender through customary banking channels is sufficient and  
5 dishonor of a draft accompanying or associated with the documents constitutes  
6 ~~non-acceptance~~ nonacceptance or rejection.

7 § 2-505. SELLER'S SHIPMENT UNDER RESERVATION

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

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

15 (b) a non-negotiable bill of lading to himself or herself or his or her  
16 nominee reserves possession of the goods as security but except in a case of  
17 conditional delivery (§ 2-507(2)) a ~~non-negotiable~~ nonnegotiable bill of lading  
18 naming the buyer as consignee reserves no security interest even though the  
19 seller retains possession or control of the bill of lading.

20 (2) When shipment by the seller with reservation of a security interest is in  
21 violation of the contract for sale it constitutes an improper contract for

1 transportation within the preceding section but impairs neither the rights given  
2 to the buyer by shipment and identification of the goods to the contract nor the  
3 seller's powers as a holder of a negotiable document of title.

4 § 2-506. RIGHTS OF FINANCING AGENCY

5 \* \* \*

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

10 \* \* \*

11 § 2-509. RISK OF LOSS IN THE ABSENCE OF BREACH

12 \* \* \*

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

15 (a) on his or her receipt of possession or control of a negotiable  
16 document of title covering the goods; or

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

19 (c) after his or her receipt of possession or control of a ~~non-negotiable~~  
20 nonnegotiable document of title or other ~~written~~ direction to deliver in a  
21 record, as provided in § subdivision 2-503(4)(b) of this title.



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\* \* \*

§ 2-605. WAIVER OF BUYER’S OBJECTIONS BY FAILURE TO  
PARTICULARIZE

\* \* \*

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

\* \* \*

§ 2-705. SELLER’S STOPPAGE OF DELIVERY IN TRANSIT OR  
OTHERWISE

\* \* \*

(2) As against such buyer the seller may stop delivery until:  
(a) receipt of the goods by the buyer; or  
(b) acknowledgment to the buyer by any bailee of the goods except a carrier that the bailee holds the goods for the buyer; or  
(c) such acknowledgment to the buyer by a carrier by reshipment or as ~~warehouseman~~ a warehouse; or  
(d) negotiation to the buyer of any negotiable document of title covering the goods.  
(3)(a) To stop delivery the seller must so notify as to enable the bailee by reasonable diligence to prevent delivery of the goods.

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

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

7 \* \* \*

8 Sec. 5. 9A V.S.A. article 2A is amended to read:

9 ARTICLE 2A. LEASES

10 \* \* \*

11 § 2A-103. DEFINITIONS AND INDEX OF DEFINITIONS

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

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

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\* \* \*

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

\* \* \*

§ 2A-514. WAIVER OF LESSEE’S OBJECTIONS

\* \* \*

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

\* \* \*

§ 2A-526. LESSOR’S STOPPAGE OF DELIVERY IN TRANSIT OR  
OTHERWISE

\* \* \*

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

3 (a) receipt of the goods by the lessee;

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

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

8 \* \* \*

9 Sec. 6. 9A V.S.A. article 4 is amended to read:

10 ARTICLE 4. BANK DEPOSITS AND COLLECTIONS

11 \* \* \*

12 § 4-104. DEFINITIONS AND INDEX OF DEFINITIONS

13 \* \* \*

14 (c) ~~The~~ “Control” as provided in section 7-106 of this title and the  
15 following definitions in other articles apply to this article:

16 “Acceptance” § 3-409

17 “Alteration” § 3-407

18 “Cashier’s check” § 3-104

19 “Certificate of deposit” § 3-104

20 “Certified check” § 3-409

21 “Check” § 3-104

- 1       “Demand draft” § 3-104
- 2       “Holder in due course” § 3-302
- 3       “Instrument” § 3-104
- 4       “Notice of dishonor” § 3-503
- 5       “Order” § 3-103
- 6       “Ordinary care” § 3-103
- 7       “Person entitled to enforce” § 3-301
- 8       “Presentment” § 3-501
- 9       “Promise” § 3-103
- 10      “Prove” § 3-103
- 11      “Teller’s check” § 3-104
- 12      “Unauthorized signature” § 3-403

\* \* \*

§ 4-210. SECURITY INTEREST OF COLLECTING BANK IN ITEMS,  
ACCOMPANYING DOCUMENTS AND PROCEEDS

\* \* \*

(c) Receipt by a collecting bank of a final settlement for an item is a realization on its security interest in the item, accompanying documents, and proceeds. So long as the bank does not receive final settlement for the item or give up possession of the item or possession or control of the accompanying

1 documents for purposes other than collection, the security interest continues to  
2 that extent and is subject to ~~Article~~ article 9 of this title, but:

3 (1) no security agreement is necessary to make the security interest  
4 enforceable (§ 9-203(b)(3)(A));

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

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

8 \* \* \*

9 Sec. 7. 9A V.S.A. article 8 is amended to read:

10 ARTICLE 8. INVESTMENT SECURITIES

11 \* \* \*

12 § 8-102. DEFINITIONS

13 (a) In this article:

14 \* \* \*

15 (9) “Financial asset,” except as otherwise provided in section 8-103 of  
16 this title, means:

17 (i) a security;

18 (ii) an obligation of a person or a share, participation, or other interest  
19 in a person or in property or an enterprise of a person, which is, or is of a type,  
20 dealt in or traded on financial markets, or which is recognized in any area in  
21 which it is issued or dealt in as a medium for investment; or

1           (iii) any property that is held by a securities intermediary for another  
2 person in a securities account if the securities intermediary has expressly  
3 agreed with the other person that the property is to be treated as a financial  
4 asset under this article.

5           As the context requires, the term means either the interest itself or the  
6 means by which a person’s claim to it is evidenced, including a certificated or  
7 uncertificated security, a security certificate, or a security entitlement.

8   \* \* \*

9           § 8-103. RULES FOR DETERMINING WHETHER CERTAIN  
10                   OBLIGATIONS AND INTERESTS ARE SECURITIES OR  
11                   FINANCIAL ASSETS

12   \* \* \*

13           (g) A document of title is not a financial asset unless subdivision  
14           8-102(a)(9)(iii) of this title applies.

15   \* \* \*

16           Sec. 8. 9A V.S.A. article 9 is amended to read:

17                                   ARTICLE 9. SECURED TRANSACTIONS

18   \* \* \*

19           § 9-102. DEFINITIONS AND INDEX OF DEFINITIONS

20           (a) In this article:

21   \* \* \*

1 (30) “Document” means a document of title or a receipt of the type  
2 described in ~~subdivision 7-201(2)~~ subsection 7-201(b) of this title.

3 \* \* \*

4 (b) ~~The~~ “Control” as provided in section 7-106 of this title and the  
5 following definitions in other articles apply to this article:

6 “Applicant” Section 5-102.

7 “Beneficiary” Section 5-102.

8 “Broker” Section 8-102.

9 “Certificated security” Section 8-102.

10 “Check” Section 3-104.

11 “Clearing corporation” Section 8-102.

12 “Contract for sale” Section 2-106.

13 “Customer” Section 4-104.

14 “Entitlement holder” Section 8-102.

15 “Financial asset” Section 8-102.

16 “Holder in due course” Section 3-302.

17 “Issuer” (with respect to a letter of  
18 credit or letter-of-credit right) Section 5-102.

19 “Issuer” (with respect to documents of title) Section 7-102.

20 “Issuer” (with respect to a security) Section 8-201.

21 “Lease” Section 2A-103.



- 1 “Lease agreement” Section 2A-103.
- 2 “Lease contract” Section 2A-103.
- 3 “Leasehold interest” Section 2A-103.
- 4 “Lessee” Section 2A-103.
- 5 “Lessee in ordinary course of business” Section 2A-103.
- 6 “Lessor” Section 2A-103.
- 7 “Lessor’s residual interest” Section 2A-103.
- 8 “Letter of credit” Section 5-102.
- 9 “Merchant” Section 2-104.
- 10 “Negotiable instrument” Section 3-104.
- 11 “Nominated person” Section 5-102.
- 12 “Note” Section 3-104.
- 13 “Proceeds of a letter of credit” Section 5-114.
- 14 “Prove” Section 3-103.
- 15 “Sale” Section 2-106.
- 16 “Securities account” Section 8-501.
- 17 “Securities intermediary” Section 8-102.
- 18 “Security” Section 8-102.
- 19 “Security certificate” Section 8-102.
- 20 “Security entitlement” Section 8-102.
- 21 “Uncertificated security” Section 8-102.

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

3 \* \* \*

4 § 9-203. ATTACHMENT AND ENFORCEABILITY OF SECURITY  
5 INTEREST; PROCEEDS; SUPPORTING OBLIGATIONS;  
6 FORMAL REQUISITES

7 \* \* \*

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

11 (1) value has been given;

12 (2) the debtor has rights in the collateral or the power to transfer rights  
13 in the collateral to a secured party; and

14 (3) one of the following conditions is met:

15 (A) the debtor has authenticated a security agreement that provides a  
16 description of the collateral and, if the security interest covers timber to be cut,  
17 a description of the land concerned;

18 (B) the collateral is not a certificated security and is in the possession  
19 of the secured party under section 9-313 of this title pursuant to the debtor's  
20 security agreement;

1 (C) the collateral is a certificated security in registered form and the  
2 security certificate has been delivered to the secured party under section 8-301  
3 pursuant to the debtor's security agreement; or

4 (D) the collateral is deposit accounts, electronic chattel paper,  
5 investment property, ~~or~~ letter-of-credit rights, or electronic documents, and the  
6 secured party has control under section 7-106, 9-104, 9-105, 9-106, or 9-107 of  
7 this title pursuant to the debtor's security agreement.

8 \* \* \*

9 § 9-207. RIGHTS AND DUTIES OF SECURED PARTY HAVING

10 POSSESSION OR CONTROL OF COLLATERAL

11 \* \* \*

12 (c) Except as otherwise provided in subsection (d) of this section, a secured  
13 party having possession of collateral or control of collateral under section 7-  
14 106, 9-104, 9-105, 9-106, or 9-107 of this title:

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

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

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

20 \* \* \*

1 § 9-208. ADDITIONAL DUTIES OF SECURED PARTY HAVING  
2 CONTROL OF COLLATERAL

3 \* \* \*

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

5 \* \* \*

6 (4) a secured party having control of investment property under section  
7 8-106(d)(2) or 9-106(b) shall send to the securities intermediary or commodity  
8 intermediary with which the security entitlement or commodity contract is  
9 maintained an authenticated record that releases the securities intermediary or  
10 commodity intermediary from any further obligation to comply with  
11 entitlement orders or directions originated by the secured party; ~~and~~

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

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

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

20 (B) if the debtor designates a custodian that is the designated  
21 custodian with which the authoritative copy of the electronic document is

1 maintained for the secured party, communicate to the custodian an  
2 authenticated record releasing the designated custodian from any further  
3 obligation to comply with instructions originated by the secured party and  
4 instructing the custodian to comply with instructions originated by the  
5 debtor; and

6 (C) take appropriate action to enable the debtor or its designated  
7 custodian to make copies of or revisions to the authoritative copy which add or  
8 change an identified assignee of the authoritative copy without the consent of  
9 the secured party.

10 \* \* \*

11 § 9-301. LAW GOVERNING PERFECTION AND PRIORITY OF  
12 SECURITY INTERESTS

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

16 \* \* \*

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

20 \* \* \*

1 § 9-310. WHEN FILING REQUIRED TO PERFECT SECURITY  
2 INTEREST OR AGRICULTURAL LIEN; SECURITY  
3 INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING  
4 PROVISIONS DO NOT APPLY

5 \* \* \*

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

8 \* \* \*

9 (5) in certificated securities, documents, goods, or instruments which is  
10 perfected without filing, control, or possession under section 9-312(e), (f),  
11 or (g);

12 (6) in collateral in the secured party's possession under section 9-313;

13 (7) in a certificated security which is perfected by delivery of the  
14 security certificate to the secured party under section 9-313;

15 (8) in deposit accounts, electronic chattel paper, electronic documents,  
16 investment property, or letter-of-credit rights which is perfected by control  
17 under section 9-314;

18 \* \* \*

1 § 9-312. PERFECTION OF SECURITY INTERESTS IN CHATTEL  
2 PAPER, DEPOSIT ACCOUNTS, DOCUMENTS, GOODS  
3 COVERED BY DOCUMENTS, INSTRUMENTS, INVESTMENT  
4 PROPERTY, LETTER-OF-CREDIT RIGHTS, AND MONEY;  
5 PERFECTION BY PERMISSIVE FILING; TEMPORARY  
6 PERFECTION WITHOUT FILING OR TRANSFER OF  
7 POSSESSION

8 \* \* \*

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

13 \* \* \*

14 § 9-313. WHEN POSSESSION BY OR DELIVERY TO SECURED PARTY  
15 PERFECTS SECURITY INTEREST WITHOUT FILING

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

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\* \* \*

§ 9-314. PERFECTION BY CONTROL

(a) A security interest in investment property, deposit accounts, letter-of-credit rights, ~~or~~ electronic chattel paper, or electronic documents may be perfected by control of the collateral under section 7-106, 9-104, 9-105, 9-106, or 9-107.

(b) A security interest in deposit accounts, electronic chattel paper, ~~or~~ letter-of-credit rights, or electronic documents is perfected by control under section 7-106, 9-104, 9-105, or 9-107 when the secured party obtains control and remains perfected by control only while the secured party retains control.

\* \* \*

§ 9-317. INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST OR AGRICULTURAL LIEN

\* \* \*

(b) Except as otherwise provided in subsection (e) of this section, a buyer, other than a secured party, of tangible chattel paper, tangible documents, goods, instruments, or a certificated security takes free of a security interest or agricultural lien if the buyer gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.



1 (c) Except as otherwise provided in subsection (e) of this section, a lessee  
2 of goods takes free of a security interest or agricultural lien if the lessee gives  
3 value and receives delivery of the collateral without knowledge of the security  
4 interest or agricultural lien and before it is perfected.

5 (d) A licensee of a general intangible or a buyer, other than a secured party,  
6 of ~~collateral other than tangible chattel paper, tangible documents, goods,~~  
7 ~~instruments, or~~ accounts, electronic chattel paper, electronic documents,  
8 general intangibles, or investment property other than a certificated security  
9 takes free of a security interest if the licensee or buyer gives value without  
10 knowledge of the security interest and before it is perfected.

11 \* \* \*

12 § 9-338. PRIORITY OF SECURITY INTEREST OR AGRICULTURAL  
13 LIEN PERFECTED BY FILED FINANCING STATEMENT  
14 PROVIDING CERTAIN INCORRECT INFORMATION

15 If a security interest or agricultural lien is perfected by a filed financing  
16 statement providing information described in subdivision 9-516(b)(5) of this  
17 title which is incorrect at the time the financing statement is filed:

18 (1) the security interest or agricultural lien is subordinate to a conflicting  
19 perfected security interest in the collateral to the extent that the holder of the  
20 conflicting security interest gives value in reasonable reliance upon the  
21 incorrect information; and

1 (2) a purchaser, other than a secured party, of the collateral takes free of  
2 the security interest or agricultural lien to the extent that, in reasonable reliance  
3 upon the incorrect information, the purchaser gives value and, in the case of  
4 tangible chattel paper, tangible documents, goods, instruments, or a security  
5 certificate, receives delivery of the collateral.

6 \* \* \*

7 § 9-601. RIGHTS AFTER DEFAULT; JUDICIAL ENFORCEMENT;  
8 CONSIGNOR OR BUYER OF ACCOUNTS, CHATTEL PAPER,  
9 PAYMENT INTANGIBLES, OR PROMISSORY NOTES

10 \* \* \*

11 (b) A secured party in possession of collateral or control of collateral under  
12 section 7-106, 9-104, 9-105, 9-106, or 9-107 has the rights and duties provided  
13 in section 9-207.

14 \* \* \*

15 Sec. 9. IMPLEMENTATION

16 (a) This act applies to a document of title that is issued or a bailment that  
17 arises on or after the effective date of this act.

18 (b) This act does not apply to a document of title that is issued or a  
19 bailment that arises before the effective date of this act even if the document of  
20 title or bailment would be subject to this act if the document of title had been  
21 issued or bailment had arisen on or after the effective date of this act.

1        (c) This act does not apply to a right of action that has accrued before the  
2        effective date of this act.

3        (d) A document of title issued or a bailment that arises before the effective  
4        date of this act and the rights, obligations, and interests flowing from that  
5        document or bailment are governed by any statute or other rule amended or  
6        repealed by this act as if amendment or repeal had not occurred and may be  
7        terminated, completed, consummated, or enforced under that statute or other  
8        rule.

9        Sec. 10. EFFECTIVE DATE

10       This act shall take effect on passage.

11

12

13       (Committee vote: \_\_\_\_\_)

14

\_\_\_\_\_

15

Representative \_\_\_\_\_

16

FOR THE COMMITTEE