
HOUSE BILL 2197

State of Washington

62nd Legislature

2012 Regular Session

By Representatives Pedersen, Rodne, and Eddy; by request of Uniform Laws Commission

Prefiled 12/15/11. Read first time 01/09/12. Referred to Committee on Judiciary.

1 AN ACT Relating to the Uniform Commercial Code; amending RCW 62A.1-
2 101, 62A.1-102, 62A.1-103, 62A.1-104, 62A.1-105, 62A.1-106, 62A.1-107,
3 62A.1-108, 62A.1-201, 62A.1-202, 62A.1-203, 62A.1-204, 62A.1-205,
4 62A.1-206, 62A.7-101, 62A.7-102, 62A.7-103, 62A.7-104, 62A.7-105,
5 62A.7-201, 62A.7-202, 62A.7-203, 62A.7-204, 62A.7-205, 62A.7-206,
6 62A.7-207, 62A.7-208, 62A.7-209, 62A.7-210, 62A.7-301, 62A.7-302,
7 62A.7-303, 62A.7-304, 62A.7-305, 62A.7-307, 62A.7-308, 62A.7-309,
8 62A.7-401, 62A.7-402, 62A.7-403, 62A.7-404, 62A.7-501, 62A.7-502,
9 62A.7-503, 62A.7-504, 62A.7-505, 62A.7-506, 62A.7-507, 62A.7-508,
10 62A.7-509, 62A.7-601, 62A.7-602, 62A.7-603, 62A.2-103, 62A.2-104,
11 62A.2-202, 62A.2-310, 62A.2-323, 62A.2-401, 62A.2-503, 62A.2-505,
12 62A.2-506, 62A.2-509, 62A.2-605, 62A.2-705, 62A.2A-103, 62A.2A-103,
13 62A.2A-501, 62A.2A-514, 62A.2A-518, 62A.2A-519, 62A.2A-526, 62A.2A-527,
14 62A.2A-528, 62A.3-103, 62A.4-104, 62A.4-210, 62A.4A-105, 62A.4A-106,
15 62A.4A-204, 62A.5-103, 62A.8-102, 62A.8-103, 62A.8-103, 62A.9A-102,
16 62A.9A-102, 62A.9A-203, 62A.9A-207, 62A.9A-208, 62A.9A-301, 62A.9A-310,
17 62A.9A-310, 62A.9A-312, 62A.9A-313, 62A.9A-313, 62A.9A-314, 62A.9A-317,
18 62A.9A-317, 62A.9A-338, 62A.9A-338, 62A.9A-601, and 62A.9A-601; adding
19 new sections to chapter 62A.1 RCW; adding a new section to chapter
20 62A.7 RCW; creating new sections; repealing RCW 62A.1-109, 62A.1-207,
21 62A.1-208, 62A.2-208, 62A.2A-207, and 62A.10-104; repealing 2011 c 74

1 s 801; providing an effective date; and providing an expiration date.

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

3 **PART I**

4 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 1**

5 **Sec. 101.** RCW 62A.1-101 and 1965 ex.s. c 157 s 1-101 are each
6 amended to read as follows:

7 SHORT TITLES. (a) This title (~~((shall be known and))~~) may be cited
8 as the Uniform Commercial Code.

9 (b) This article may be cited as Uniform Commercial Code--General
10 Provisions.

11 **Sec. 102.** RCW 62A.1-102 and 1965 ex.s. c 157 s 1-102 are each
12 amended to read as follows:

13 (~~(PURPOSES; RULES OF CONSTRUCTION; VARIATION BY AGREEMENT.)~~) SCOPE
14 OF ARTICLE. (~~((1) This Title shall be liberally construed and applied~~
15 ~~to promote its underlying purposes and policies.~~

16 ~~(2) Underlying purposes and policies of this Title are~~

17 ~~(a) to simplify, clarify and modernize the law governing commercial~~
18 ~~transactions;~~

19 ~~(b) to permit the continued expansion of commercial practices~~
20 ~~through custom, usage and agreement of the parties;~~

21 ~~(c) to make uniform the law among the various jurisdictions.~~

22 ~~(3) The effect of provisions of this Title may be varied by~~
23 ~~agreement, except as otherwise provided in this Title and except that~~
24 ~~the obligations of good faith, diligence, reasonableness and care~~
25 ~~prescribed by this Title may not be disclaimed by agreement but the~~
26 ~~parties may by agreement determine the standards by which the~~
27 ~~performance of such obligations is to be measured if such standards are~~
28 ~~not manifestly unreasonable.~~

29 ~~(4) The presence in certain provisions of this Title of the words~~
30 ~~"unless otherwise agreed" or words of similar import does not imply~~
31 ~~that the effect of other provisions may not be varied by agreement~~
32 ~~under subsection (3).~~

33 ~~(5) In this Title unless the context otherwise requires~~

1 ~~(a) words in the singular number include the plural, and in the~~
2 ~~plural include the singular;~~

3 ~~(b) words of the masculine gender include the feminine and the~~
4 ~~neuter, and when the sense so indicates words of the neuter gender may~~
5 ~~refer to any gender.)~~ This article applies to a transaction to the
6 extent that it is governed by another article of this title.

7 **Sec. 103.** RCW 62A.1-103 and 1965 ex.s. c 157 s 1-103 are each
8 amended to read as follows:

9 ~~((SUPPLEMENTARY GENERAL PRINCIPLES OF LAW APPLICABLE.))~~
10 CONSTRUCTION OF UNIFORM COMMERCIAL CODE TO PROMOTE ITS PURPOSES AND
11 POLICIES; APPLICABILITY OF SUPPLEMENTAL PRINCIPLES OF LAW. (a) This
12 title must be liberally construed and applied to promote its underlying
13 purposes and policies, which are:

14 (1) To simplify, clarify, and modernize the law governing
15 commercial transactions;

16 (2) To permit the continued expansion of commercial practices
17 through custom, usage, and agreement of the parties; and

18 (3) To make uniform the law among the various jurisdictions.

19 (b) Unless displaced by the particular provisions of this title,
20 the principles of law and equity, including the law merchant and the
21 law relative to capacity to contract, principal and agent, estoppel,
22 fraud, misrepresentation, duress, coercion, mistake, bankruptcy, ((or))
23 and other validating or invalidating cause ((shall)) supplement its
24 provisions.

25 **Sec. 104.** RCW 62A.1-104 and 1965 ex.s. c 157 s 1-104 are each
26 amended to read as follows:

27 CONSTRUCTION AGAINST ((IMPLICIT)) IMPLIED REPEAL. This title being
28 a general act intended as a unified coverage of its subject matter, no
29 part of it shall be deemed to be impliedly repealed by subsequent
30 legislation if such construction can reasonably be avoided.

31 **Sec. 105.** RCW 62A.1-105 and 2001 c 32 s 8 are each amended to read
32 as follows:

33 ~~((TERRITORIAL APPLICATION OF THE TITLE; PARTIES' POWER TO CHOOSE~~
34 ~~APPLICABLE LAW.))~~ SEVERABILITY. ~~((1) Except as provided hereafter in~~
35 ~~this section, when a transaction bears a reasonable relation to this~~

1 state and also to another state or nation the parties may agree that
2 the law either of this state or of such other state or nation shall
3 govern their rights and duties. Failing such agreement this Title
4 applies to transactions bearing an appropriate relation to this state.

5 (2) Where one of the following provisions of this Title specifies
6 the applicable law, that provision governs and a contrary agreement is
7 effective only to the extent permitted by the law (including the
8 conflict of laws rules) so specified:

9 Rights of creditors against sold goods. RCW 62A.2-402.

10 Applicability of the Article on Leases. RCW 62A.2A-105 and
11 62A.2A-106.

12 Applicability of the Article on Bank Deposits and Collections. RCW
13 62A.4-102.

14 Governing law in the Article on Funds Transfers. RCW 62A.4A-507.

15 Letters of Credit. RCW 62A.5-116.

16 Applicability of the Article on Investment Securities. RCW
17 62A.8-110.

18 Law governing perfection, the effect of perfection or
19 nonperfection, and the priority of security interests and agricultural
20 liens. RCW 62A.9A-301 through 62A.9A-307.) If any provision or clause
21 of this title or its application to any person or circumstance is held
22 invalid, the invalidity does not affect other provisions or
23 applications of this title which can be given effect without the
24 invalid provision or application, and to this end the provisions of
25 this title are severable.

26 **Sec. 106.** RCW 62A.1-106 and 1965 ex.s. c 157 s 1-106 are each
27 amended to read as follows:

28 ((REMEDIES TO BE LIBERALLY ADMINISTERED.)) USE OF SINGULAR AND
29 PLURAL; GENDER. ((1) The remedies provided by this Title shall be
30 liberally administered to the end that the aggrieved party may be put
31 in as good a position as if the other party had fully performed but
32 neither consequential or special nor penal damages may be had except as
33 specifically provided in this Title or by other rule of law.

34 (2) Any right or obligation declared by this Title is enforceable
35 by action unless the provision declaring it specifies a different and
36 limited effect.) In this title, unless the statutory context otherwise
37 requires:

1 (1) Words in the singular number include the plural, and those in
2 the plural include the singular; and

3 (2) Words of any gender also refer to any other gender.

4 **Sec. 107.** RCW 62A.1-107 and 1965 ex.s. c 157 s 1-107. Cf. former
5 RCW sections: (i) RCW 62.01.119(3) are each amended to read as
6 follows:

7 ~~((WAIVER OR RENUNCIATION OF CLAIM OR RIGHT AFTER BREACH.))~~ SECTION
8 CAPTIONS. ~~((Any claim or right arising out of an alleged breach can be~~
9 ~~discharged in whole or in part without consideration by a written~~
10 ~~waiver or renunciation signed and delivered by the aggrieved party.))~~

11 Section captions are part of this title.

12 **Sec. 108.** RCW 62A.1-108 and 1965 ex.s. c 157 s 1-108 are each
13 amended to read as follows:

14 ~~((SEVERABILITY.))~~ RELATION TO ELECTRONIC SIGNATURES IN GLOBAL AND
15 NATIONAL COMMERCE ACT. ~~((If any provision or clause of this Title or~~
16 ~~application thereof to any person or circumstances is held invalid,~~
17 ~~such invalidity shall not affect other provisions or applications of~~
18 ~~the Title which can be given effect without the invalid provision or~~
19 ~~application, and to this end the provisions of this Title are declared~~
20 ~~to be severable.))~~ Except as provided in this section, this article

21 modifies, limits, and supersedes the federal electronic signatures in
22 global and national commerce act, 15 U.S.C. Sec. 7001 et seq., except
23 that nothing in this article modifies, limits, or supersedes section
24 7001(c) of that act, and nothing in this section either authorizes or
25 prohibits electronic delivery of any of the notices described in
26 section 7003(b) of that act. This section does not modify, limit, or
27 supersede application of the federal electronic signatures in global
28 commerce act, 15 U.S.C. Sec. 7001 et seq., to transactions governed by
29 Article 2 or 2A of this title.

30 **Sec. 109.** RCW 62A.1-201 and 2001 c 32 s 9 are each amended to read
31 as follows:

32 GENERAL DEFINITIONS. (a) Unless the context otherwise requires,
33 words or phrases defined in this section, or in the additional
34 definitions contained in other articles of this title that apply to
35 particular articles or parts thereof, have the meanings stated.

1 (b) Subject to ~~((additional))~~ definitions contained in ~~((the~~
2 ~~subsequent))~~ other articles of this title ~~((which are applicable to~~
3 ~~specific))~~ that apply to particular articles or parts thereof~~((, and~~
4 ~~unless the context otherwise requires, in this Title))~~:

5 (1) "Action₁" in the sense of a judicial proceeding₁ includes
6 recoupment, counterclaim, set-off, suit in equity₁ and any other
7 proceeding~~((s))~~ in which rights are determined.

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

10 (3) "Agreement₁" as distinguished from "contract," means the
11 bargain of the parties in fact₁ as found in their language or ~~((by~~
12 ~~implication))~~ inferred from other circumstances₁ including course of
13 performance, course of dealing₁ or usage of trade ~~((or course of~~
14 ~~performance))~~ as provided in ~~((this Title (RCW 62A.1-205, RCW 62A.2-~~
15 ~~208, and RCW 62A.2A-207)). Whether an agreement has legal consequences~~
16 ~~is determined by the provisions of this Title, if applicable; otherwise~~
17 ~~by the law of contracts (RCW 62A.1-103))~~ RCW 62A.1-303. ~~((Compare~~
18 ~~"Contract".))~~

19 (4) "Bank" means ~~((any))~~ a person engaged in the business of
20 banking and includes a savings bank, savings and loan association,
21 credit union, and trust company.

22 (5) "Bearer" means ~~((the))~~ a person in control of a negotiable
23 electronic document of title or a person in possession of ~~((an))~~ a
24 negotiable instrument, negotiable tangible document of title, or
25 certificated security that is payable to bearer or indorsed in blank.

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

33 (7) "Branch" includes a separately incorporated foreign branch of
34 a bank.

35 (8) "Burden of establishing" a fact means the burden of persuading
36 the trier~~((s))~~ of fact that the existence of the fact is more probable
37 than its nonexistence.

1 (9) "Buyer in ordinary course of business" means a person that buys
2 goods in good faith, without knowledge that the sale violates the
3 rights of another person in the goods, and in the ordinary course from
4 a person, other than a pawnbroker, in the business of selling goods of
5 that kind. A person buys goods in the ordinary course if the sale to
6 the person comports with the usual or customary practices in the kind
7 of business in which the seller is engaged or with the seller's own
8 usual or customary practices. A person that sells oil, gas, or other
9 minerals at the wellhead or minehead is a person in the business of
10 selling goods of that kind. A buyer in ordinary course of business may
11 buy for cash, by exchange of other property, or on secured or unsecured
12 credit, and may acquire goods or documents of title under a (~~pre-~~
13 ~~existing~~) preexisting contract for sale. Only a buyer that takes
14 possession of the goods or has a right to recover the goods from the
15 seller under Article (~~(62A.2 RCW)~~) 2 of this title may be a buyer in
16 ordinary course of business. "Buyer in the ordinary course of
17 business" does not include a person that acquires goods in a transfer
18 in bulk or as security for or in total or partial satisfaction of a
19 money debt (~~(is not a buyer in ordinary course of business)~~).

20 (10) "Conspicuous," (~~(+)~~) with reference to a term (~~(or clause is~~
21 conspicuous when it is)), means so written, displayed, or presented
22 that a reasonable person against (~~(whom)~~) which it is to operate ought
23 to have noticed it. (~~(A printed heading in capitals (as: NON-~~
24 NEGOTIABLE BILL OF LADING) is conspicuous. Language in the body of a
25 form is "conspicuous" if it is in larger or other contrasting type or
26 color. But in a telegram any stated term is "conspicuous".) Whether
27 a term (~~(or clause)~~) is "conspicuous" or not is (~~(for)~~) a decision
28 (~~(by)~~) for the court. Conspicuous terms include the following:

29 (A) A heading in capitals equal to or greater in size than the
30 surrounding text, or in contrasting type, font, or color to the
31 surrounding text of the same or lesser size; and

32 (B) Language in the body of a record or display in larger type than
33 the surrounding text, or in contrasting type, font, or color to the
34 surrounding text of the same size, or set off from surrounding text of
35 the same size by symbols or other marks that call attention to the
36 language.

37 (11) "Consumer" means an individual who enters into a transaction
38 primarily for personal, family, or household purposes.

1 (12) "Contract," as distinguished from "agreement," means the total
2 legal obligation ((which)) that results from the parties' agreement as
3 ((affected)) determined by this title ((and)) as supplemented by any
4 other applicable ((rules of)) laws. ((Compare "Agreement".)

5 ~~((12))~~ (13) "Creditor" includes a general creditor, a secured
6 creditor, a lien creditor, and any representative of creditors,
7 including an assignee for the benefit of creditors, a trustee in
8 bankruptcy, a receiver in equity, and an executor or administrator of
9 an insolvent debtor's or assignor's estate.

10 ~~((13))~~ (14) "Defendant" includes a person in the position of
11 defendant in a ((cross-action or)) counterclaim, cross-claim, or third-
12 party claim.

13 ~~((14))~~ (15) "Delivery," with respect to an electronic document of
14 title means voluntary transfer of control and with respect to an
15 instrument((s)), a tangible document((s)) of title, or chattel paper,
16 ((or certificated securities)) means voluntary transfer of possession.

17 ~~((15))~~ (16) "Document of title" ((includes bill of lading, dock
18 warrant, dock receipt, warehouse receipt or order for the delivery of
19 goods, and also any other document which)) means a record (A) that in
20 the regular course of business or financing is treated as adequately
21 evidencing that the person in possession or control of ((it)) the
22 record is entitled to receive, control, hold, and dispose of the
23 ((document)) record and the goods ((it)) the record covers((. To be a
24 document of title a document must purport to be issued by or addressed
25 to a bailee and purport to cover goods in the bailee's possession which
26 are either identified or are fungible portions of an identified mass))
27 and (B) that purports to be issued by or addressed to a bailee and to
28 cover goods in the bailee's possession which are either identified or
29 are fungible portions of an identified mass. The term includes a bill
30 of lading, transport document, dock warrant, dock receipt, warehouse
31 receipt, and order for delivery of goods. An electronic document of
32 title means a document of title evidenced by a record consisting of
33 information stored in an electronic medium. A tangible document of
34 title means a document of title evidenced by a record consisting of
35 information that is inscribed on a tangible medium.

36 ~~((16))~~ (17) "Fault" means a default, breach, or wrongful act((τ))
37 or omission ((or breach)).

1 ~~((17))~~ (18) "Fungible goods" ~~((with respect to goods or~~
2 ~~securities))~~ means:

3 (A) Goods ~~((or securities))~~ of which any unit ~~((is))~~, by nature or
4 usage of trade, is the equivalent of any other like unit~~((-))~~; or

5 (B) Goods ~~((which are not fungible shall be deemed fungible for the~~
6 ~~purposes of this Title to the extent))~~ that ~~((under a particular))~~ by
7 agreement ~~((or document unlike units))~~ are treated as equivalent~~((s))~~.

8 ~~((18))~~ (19) "Genuine" means free of forgery or counterfeiting.

9 ~~((19))~~ (20) "Good faith," except as otherwise provided in Article
10 5 of this title, means honesty in fact ~~((in the conduct or transaction~~
11 ~~concerned))~~ and the observance of reasonable commercial standards of
12 fair dealing.

13 ~~((20))~~ (21) "Holder" with respect to a negotiable instrument,
14 means:

15 (A) The person in possession ~~((if the))~~ of a negotiable instrument
16 that is payable either to bearer or~~((, in the case of an instrument~~
17 ~~payable to an identified person, if the))~~ to an identified person that
18 is the person in possession~~((-"Holder" with respect to))~~;

19 (B) The person in possession of a negotiable tangible document of
20 title ~~((means the person in possession))~~ if the goods are deliverable
21 either to bearer or to the order of the person in possession; or

22 (C) The person in control of a negotiable electronic document of
23 title.

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

27 (22) "Insolvency proceeding~~((s))~~" includes ~~((any))~~ an assignment
28 for the benefit of creditors or other proceeding~~((s))~~ intended to
29 liquidate or rehabilitate the estate of the person involved.

30 ~~((A person is))~~ "Insolvent" ~~((who either has))~~ means:

31 (A) Having generally ceased to pay ~~((his or her))~~ debts in the
32 ordinary course of business ~~((or cannot))~~ other than as a result of a
33 bona fide dispute;

34 (B) Being unable to pay ~~((his or her))~~ debts as they become due; or
35 ~~((is))~~

36 (C) Being insolvent within the meaning of ~~((the))~~ federal
37 bankruptcy law.

1 (24) "Money" means a medium of exchange currently authorized or
2 adopted by a domestic or foreign government (~~(and)~~). The term includes
3 a monetary unit of account established by an intergovernmental
4 organization or by agreement between two or more (~~(nations)~~) countries.

5 ~~((A person has "notice" of a fact when
6 (a) he or she has actual knowledge of it; or
7 (b) he or she has received a notice or notification of it; or
8 (c) from all the facts and circumstances known to him or her at the
9 time in question he or she has reason to know that it exists.~~

10 ~~A person "knows" or has "knowledge" of a fact when he or she has actual
11 knowledge of it. "Discover" or "learn" or a word or phrase of similar
12 import refers to knowledge rather than to reason to know. The time and
13 circumstances under which a notice or notification may cease to be
14 effective are not determined by this Title.~~

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

19 ~~(a) it comes to his or her attention; or
20 (b) it is duly delivered at the place of business through which the
21 contract was made or at any other place held out by him or her as the
22 place for receipt of such communications.~~

23 ~~(27) Notice, knowledge or a notice or notification received by an
24 organization is effective for a particular transaction from the time
25 when it is brought to the attention of the individual conducting that
26 transaction, and in any event from the time when it would have been
27 brought to his or her attention if the organization had exercised due
28 diligence. An organization exercises due diligence if it maintains
29 reasonable routines for communicating significant information to the
30 person conducting the transaction and there is reasonable compliance
31 with the routines. Due diligence does not require an individual acting
32 for the organization to communicate information unless such
33 communication is part of his or her regular duties or unless he or she
34 has reason to know of the transaction and that the transaction would be
35 materially affected by the information.~~

36 ~~(28)) "Organization" ((includes a corporation, government or
37 governmental subdivision or agency, business trust, estate, trust,~~

1 ~~partnership or association, two or more persons having a joint or~~
2 ~~common interest, or any other legal or commercial entity)) means a~~
3 ~~person other than an individual.~~

4 ~~((+29))~~ (26) "Party_L"~~((τ))~~ as ~~((distinct))~~ distinguished from
5 "third party_L"~~((τ))~~ means a person ~~((who))~~ that has engaged in a
6 transaction or made an agreement ~~((within))~~ subject to this title.

7 ~~((+30))~~ (27) "Person" ~~((includes))~~ means an individual ~~((or an~~
8 ~~organization (See RCW 62A.1-102)).~~

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

12 ~~(32))~~, corporation, business trust, estate, trust, partnership,
13 limited liability company, association, joint venture, government,
14 governmental subdivision, agency, or instrumentality, public
15 corporation, or any other legal or commercial entity.

16 (28) "Present value" means the amount as of a date certain of one
17 or more sums payable in the future, discounted to the date certain by
18 use of either an interest rate specified by the parties if that rate is
19 not manifestly unreasonable at the time the transaction is entered into
20 or, if an interest rate is not so specified, a commercially reasonable
21 rate that takes into account the facts and circumstances at the time
22 the transaction is entered into.

23 (29) "Purchase" ~~((includes))~~ means taking by sale, lease, discount,
24 negotiation, mortgage, pledge, lien, security interest, issue or ~~((re-~~
25 ~~issue))~~ reissue, gift_L or any other voluntary transaction creating an
26 interest in property.

27 ~~((+33))~~ (30) "Purchaser" means a person ~~((who))~~ that takes by
28 purchase.

29 ~~((+34))~~ (31) "Record" means information that is inscribed on a
30 tangible medium or that is stored in an electronic or other medium and
31 is retrievable in perceivable form.

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

34 ~~((+35))~~ (33) "Representative" ~~((includes))~~ means a person
35 empowered to act for another, including an agent, an officer of a
36 corporation or association, and a trustee, executor_L or administrator
37 of an estate~~((, or any other person empowered to act for another)).~~

38 ~~((+36))~~ (34) "Right~~((s))~~" includes ~~((remedies))~~ remedy.

1 ~~((37))~~ (35) "Security interest" means an interest in personal
2 property or fixtures which secures payment or performance of an
3 obligation(~~(, except for lease purchase agreements under chapter 63.19~~
4 ~~RCW. The term also~~)). "Security interest" includes any interest of a
5 consignor and a buyer of accounts, chattel paper, a payment intangible,
6 or a promissory note in a transaction that is subject to Article 9A of
7 this title. "Security interest" does not include the special property
8 interest of a buyer of goods on identification of (~~(such))~~ those goods
9 to a contract for sale under RCW 62A.2-401 (~~(is not a "security~~
10 ~~interest"~~)), but a buyer may also acquire a "security interest" by
11 complying with Article 9A of this title. Except as otherwise provided
12 in RCW 62A.2-505, the right of a seller or lessor of goods under
13 Article 2 or 2A of this title to retain or acquire possession of the
14 goods is not a "security interest," but a seller or lessor may also
15 acquire a "security interest" by complying with Article 9A of this
16 title. The retention or reservation of title by a seller of goods
17 notwithstanding shipment or delivery to the buyer (~~((+))~~) under RCW
18 62A.2-401(~~((+))~~) is limited in effect to a reservation of a "security
19 interest." Whether a transaction in the form of a lease creates a
20 (~~(lease or))~~ "security interest" is determined (~~(by the facts of each~~
21 ~~case. However, a transaction creates a security interest if the~~
22 ~~consideration the lessee is to pay the lessor for the right to~~
23 ~~possession and use of the goods is an obligation for the term of the~~
24 ~~lease not subject to termination by the lessee, and:~~

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

27 ~~(b) The lessee is bound to renew the lease for the remaining~~
28 ~~economic life of the goods or is bound to become the owner of the~~
29 ~~goods;~~

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

33 ~~(d) The lessee has an option to become the owner of the goods for~~
34 ~~no additional consideration or nominal additional consideration upon~~
35 ~~compliance with the lease agreement.~~

36 ~~A transaction does not create a security interest merely because it~~
37 ~~provides that:~~

1 ~~(a) The present value of the consideration the lessee is obligated~~
2 ~~to pay the lessor for the right to possession and use of the goods is~~
3 ~~substantially equal to or is greater than the fair market value of the~~
4 ~~goods at the time the lease is entered into;~~

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

8 ~~(c) The lessee has an option to renew the lease or to become the~~
9 ~~owner of the goods;~~

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

14 ~~(e) The lessee has an option to become the owner of the goods for~~
15 ~~a fixed price that is equal to or greater than the reasonably~~
16 ~~predictable fair market value of the goods at the time the option is to~~
17 ~~be performed; or~~

18 ~~(f) The amount of rental payments may or will be increased or~~
19 ~~decreased by reference to the amount realized by the lessor upon sale~~
20 ~~or disposition of the goods.~~

21 ~~For purposes of this subsection (37):~~

22 ~~(a) Additional consideration is not nominal if (i) when the option~~
23 ~~to renew the lease is granted to the lessee the rent is stated to be~~
24 ~~the fair market rent for the use of the goods for the term of the~~
25 ~~renewal determined at the time the option is to be performed, or (ii)~~
26 ~~when the option to become the owner of the goods is granted to the~~
27 ~~lessee the price is stated to be the fair market value of the goods~~
28 ~~determined at the time the option is to be performed. Additional~~
29 ~~consideration is nominal if it is less than the lessee's reasonably~~
30 ~~predictable cost of performing under the lease agreement if the option~~
31 ~~is not exercised;~~

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

35 ~~(c) "Present value" means the amount as of a date certain of one or~~
36 ~~more sums payable in the future, discounted to the date certain. The~~
37 ~~discount is determined by the interest rate specified by the parties if~~
38 ~~the rate is not manifestly unreasonable at the time the transaction is~~

1 ~~entered into; otherwise, the discount is determined by a commercially~~
2 ~~reasonable rate that takes into account the facts and circumstances of~~
3 ~~each case at the time the transaction was entered into)) pursuant to~~
4 RCW 62A.1-203.

5 ~~((+38+))~~ (36) "Send" in connection with ~~((any))~~ a writing, record,
6 or notice means:

7 (A) To deposit in the mail or deliver for transmission by any other
8 usual means of communication with postage or cost of transmission
9 provided for and properly addressed and, in the case of an instrument,
10 to an address specified thereon or otherwise agreed, or if there be
11 none to any address reasonable under the circumstances(. ~~The receipt~~
12 ~~of any writing)); or~~

13 (B) In any other way to cause to be received any record or notice
14 within the time ~~((at which))~~ it would have arrived if properly sent
15 ~~((has the effect of a proper sending)).~~

16 ~~((+39+))~~ (37) "Signed" includes using any symbol executed or
17 adopted ~~((by a party))~~ with present intention to ~~((authenticate))~~ adopt
18 or accept a writing.

19 ~~((+40+))~~ (38) "State" means a State of the United States, the
20 District of Columbia, Puerto Rico, the United States Virgin Islands, or
21 any territory or insular possession subject to the jurisdiction of the
22 United States.

23 (39) "Surety" includes a guarantor or other secondary obligor.

24 ~~((+41) "Telegram" includes a message transmitted by radio,~~
25 ~~teletype, cable, any mechanical method of transmission, or the like.~~

26 ~~(+42+))~~ (40) "Term" means ~~((that))~~ a portion of an agreement
27 ~~((which))~~ that relates to a particular matter.

28 ~~((+43+))~~ (41) "Unauthorized~~((=))~~ signature" means ~~((one))~~ a
29 signature made without actual, implied, or apparent authority ~~((and)).~~
30 The term includes a forgery.

31 ~~((+44) "Value". Except as otherwise provided with respect to~~
32 ~~negotiable instruments and bank collections (RCW 62A.3-303, RCW 62A.4-~~
33 ~~210, and RCW 62A.4-211) a person gives "value" for rights if he or she~~
34 ~~acquires them~~

35 ~~(a) in return for a binding commitment to extend credit or for the~~
36 ~~extension of immediately available credit whether or not drawn upon and~~
37 ~~whether or not a charge back is provided for in the event of~~
38 ~~difficulties in collection; or~~

1 ~~(b) as security for or in total or partial satisfaction of a~~
2 ~~preexisting claim; or~~

3 ~~(c) by accepting delivery pursuant to a pre-existing contract for~~
4 ~~purchase; or~~

5 ~~(d) generally, in return for any consideration sufficient to~~
6 ~~support a simple contract.~~

7 ~~(45))~~ (42) "Warehouse receipt" means a ~~((receipt))~~ document of
8 title issued by a person engaged in the business of storing goods for
9 hire.

10 ~~((46) "Written" or))~~ (43) "Writing" includes printing,
11 typewriting, or any other intentional reduction to tangible form.
12 "Written" has a corresponding meaning.

13 **Sec. 110.** RCW 62A.1-202 and 1965 ex.s. c 157 s 1-202 are each
14 amended to read as follows:

15 ~~((PRIMA FACIE EVIDENCE BY THIRD PARTY DOCUMENTS.))~~ NOTICE;
16 KNOWLEDGE. ~~((A document in due form purporting to be a bill of lading,~~
17 ~~policy or certificate of insurance, official weigher's or inspector's~~
18 ~~certificate, consular invoice, or any other document authorized or~~
19 ~~required by the contract to be issued by a third party shall be prima~~
20 ~~facie evidence of its own authenticity and genuineness and of the facts~~
21 ~~stated in the document by the third party.))~~ (a) Subject to subsection
22 (f) of this section, a person has "notice" of a fact if the person:

23 (1) Has actual knowledge of it;

24 (2) Has received a notice or notification of it; or

25 (3) From all the facts and circumstances known to the person at the
26 time in question, has reason to know that it exists.

27 (b) "Knowledge" means actual knowledge. "Knows" has a
28 corresponding meaning.

29 (c) "Discover," "learn," or words of similar import refer to
30 knowledge rather than to reason to know.

31 (d) A person "notifies" or "gives" a notice or notification to
32 another person by taking such steps as may be reasonably required to
33 inform the other person in ordinary course, whether or not the other
34 person actually comes to know of it.

35 (e) Subject to subsection (f) of this section, a person "receives"
36 a notice or notification when:

37 (1) It comes to that person's attention; or

1 (2) It is duly delivered in a form reasonable under the
2 circumstances at the place of business through which the contract was
3 made or at another location held out by that person as the place for
4 receipt of such communications.

5 (f) Notice, knowledge, or a notice or notification received by an
6 organization is effective for a particular transaction from the time it
7 is brought to the attention of the individual conducting that
8 transaction and, in any event, from the time it would have been brought
9 to the individual's attention if the organization had exercised due
10 diligence. An organization exercises due diligence if it maintains
11 reasonable routines for communicating significant information to the
12 person conducting the transaction and there is reasonable compliance
13 with the routines. Due diligence does not require an individual acting
14 for the organization to communicate information unless the
15 communication is part of the individual's regular duties or the
16 individual has reason to know of the transaction and that the
17 transaction would be materially affected by the information.

18 **Sec. 111.** RCW 62A.1-203 and 1965 ex.s. c 157 s 1-203 are each
19 amended to read as follows:

20 ~~((OBLIGATION OF GOOD FAITH.))~~ LEASE DISTINGUISHED FROM SECURITY
21 INTEREST. ((Every contract or duty within this Title imposes an
22 obligation of good faith in its performance or enforcement.)) (a)
23 Whether a transaction in the form of a lease creates a lease or
24 security interest is determined by the facts of each case.

25 (b) A transaction in the form of a lease creates a security
26 interest if the consideration that the lessee is to pay the lessor for
27 the right to possession and use of the goods is an obligation for the
28 term of the lease and is not subject to termination by the lessee, and:

29 (1) The original term of the lease is equal to or greater than the
30 remaining economic life of the goods;

31 (2) The lessee is bound to renew the lease for the remaining
32 economic life of the goods or is bound to become the owner of the
33 goods;

34 (3) The lessee has an option to renew the lease for the remaining
35 economic life of the goods for no additional consideration or for
36 nominal additional consideration upon compliance with the lease
37 agreement; or

1 (4) The lessee has an option to become the owner of the goods for
2 no additional consideration or for nominal additional consideration
3 upon compliance with the lease agreement.

4 (c) A transaction in the form of a lease does not create a security
5 interest merely because:

6 (1) The present value of the consideration the lessee is obligated
7 to pay the lessor for the right to possession and use of the goods is
8 substantially equal to or is greater than the fair market value of the
9 goods at the time the lease is entered into;

10 (2) The lessee assumes risk of loss of the goods;

11 (3) The lessee agrees to pay, with respect to the goods, taxes,
12 insurance, filing, recording, or registration fees, or service or
13 maintenance costs;

14 (4) The lessee has an option to renew the lease or to become the
15 owner of the goods;

16 (5) The lessee has an option to renew the lease for a fixed rent
17 that is equal to or greater than the reasonably predictable fair market
18 rent for the use of the goods for the term of the renewal at the time
19 the option is to be performed; or

20 (6) The lessee has an option to become the owner of the goods for
21 a fixed price that is equal to or greater than the reasonably
22 predictable fair market value of the goods at the time the option is to
23 be performed.

24 (d) Additional consideration is nominal if it is less than the
25 lessee's reasonably predictable cost of performing under the lease
26 agreement if the option is not exercised. Additional consideration is
27 not nominal if:

28 (1) When the option to renew the lease is granted to the lessee,
29 the rent is stated to be the fair market rent for the use of the goods
30 for the term of the renewal determined at the time the option is to be
31 performed; or

32 (2) When the option to become the owner of the goods is granted to
33 the lessee, the price is stated to be the fair market value of the
34 goods determined at the time the option is to be performed.

35 (e) The "remaining economic life of the goods" and "reasonably
36 predictable" fair market rent, fair market value, or cost of performing
37 under the lease agreement must be determined with reference to the
38 facts and circumstances at the time the transaction is entered into.

1 **Sec. 112.** RCW 62A.1-204 and 1965 ex.s. c 157 s 1-204 are each
2 amended to read as follows:

3 (~~(TIME; REASONABLE TIME; "SEASONABLY".)~~) VALUE. (~~((1) Whenever~~
4 ~~this Title requires any action to be taken within a reasonable time,~~
5 ~~any time which is not manifestly unreasonable may be fixed by~~
6 ~~agreement.~~

7 ~~(2) What is a reasonable time for taking any action depends on the~~
8 ~~nature, purpose and circumstances of such action.~~

9 ~~(3) An action is taken "seasonably" when it is taken at or within~~
10 ~~the time agreed or if no time is agreed at or within a reasonable~~
11 ~~time.)) Except as otherwise provided in Articles 3, 4, and 5 of this~~
12 ~~title, a person gives value for rights if the person acquires them:~~

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

17 (2) As security for, or in total or partial satisfaction of, a
18 preexisting claim;

19 (3) By accepting delivery under a preexisting contract for
20 purchase; or

21 (4) In return for any consideration sufficient to support a simple
22 contract.

23 **Sec. 113.** RCW 62A.1-205 and 1965 ex.s. c 157 s 1-205 are each
24 amended to read as follows:

25 (~~(COURSE OF DEALING AND USAGE OF TRADE.)~~) REASONABLE TIME;
26 SEASONABLENESS. (~~((1) A course of dealing is a sequence of previous~~
27 ~~conduct between the parties to a particular transaction which is fairly~~
28 ~~to be regarded as establishing a common basis of understanding for~~
29 ~~interpreting their expressions and other conduct.~~

30 ~~(2) A usage of trade is any practice or method of dealing having~~
31 ~~such regularity of observance in a place, vocation or trade as to~~
32 ~~justify an expectation that it will be observed with respect to the~~
33 ~~transaction in question. The existence and scope of such a usage are~~
34 ~~to be proved as facts. If it is established that such a usage is~~
35 ~~embodied in a written trade code or similar writing the interpretation~~
36 ~~of the writing is for the court.~~

1 ~~(3) A course of dealing between parties and any usage of trade in~~
2 ~~the vocation or trade in which they are engaged or of which they are or~~
3 ~~should be aware give particular meaning to and supplement or qualify~~
4 ~~terms of an agreement.~~

5 ~~(4) The express terms of an agreement and an applicable course of~~
6 ~~dealing or usage of trade shall be construed wherever reasonable as~~
7 ~~consistent with each other; but when such construction is unreasonable~~
8 ~~express terms control both course of dealing and usage of trade and~~
9 ~~course of dealing controls usage of trade.~~

10 ~~(5) An applicable usage of trade in the place where any part of~~
11 ~~performance is to occur shall be used in interpreting the agreement as~~
12 ~~to that part of the performance.~~

13 ~~(6) Evidence of a relevant usage of trade offered by one party is~~
14 ~~not admissible unless and until he has given the other party such~~
15 ~~notice as the court finds sufficient to prevent unfair surprise to the~~
16 ~~latter.)~~ (a) Whether a time for taking an action required by this
17 title is reasonable depends on the nature, purpose, and circumstances
18 of the action.

19 (b) An action is taken seasonably if it is taken at or within the
20 time agreed or, if no time is agreed, at or within a reasonable time.

21 **Sec. 114.** RCW 62A.1-206 and 1995 c 48 s 55 are each amended to
22 read as follows:

23 ~~((STATUTE OF FRAUDS FOR KINDS OF PERSONAL PROPERTY NOT OTHERWISE~~
24 ~~COVERED.))~~ PRESUMPTIONS. ~~((1) Except in the cases described in~~
25 ~~subsection (2) of this section a contract for the sale of personal~~
26 ~~property is not enforceable by way of action or defense beyond five~~
27 ~~thousand dollars in amount or value of remedy unless there is some~~
28 ~~writing which indicates that a contract for sale has been made between~~
29 ~~the parties at a defined or stated price, reasonably identifies the~~
30 ~~subject matter, and is signed by the party against whom enforcement is~~
31 ~~sought or by his authorized agent.~~

32 ~~(2) Subsection (1) of this section does not apply to contracts for~~
33 ~~the sale of goods (RCW 62A.2-201) nor of securities (RCW 62A.8-113) nor~~
34 ~~to security agreements (RCW 62A.9-203).))~~ Whenever this title creates
35 a "presumption" with respect to a fact, or provides that a fact is
36 "presumed," the trier of fact must find the existence of the fact

1 unless and until evidence is introduced that supports a finding of its
2 nonexistence.

3 NEW SECTION. **Sec. 115.** A new section is added to chapter 62A.1
4 RCW, to be codified as RCW 62A.1-301, to read as follows:

5 TERRITORIAL APPLICABILITY; PARTIES' POWER TO CHOOSE APPLICABLE LAW.

6 (a) Except as otherwise provided in this section, when a transaction
7 bears a reasonable relation to this state and also to another state or
8 nation the parties may agree that the law either of this state or of
9 such other state or nation shall govern their rights and duties.

10 (b) In the absence of an agreement effective under subsection (a)
11 of this section, and except as provided in subsection (c) of this
12 section, this title applies to transactions bearing an appropriate
13 relation to this state.

14 (c) If one of the following provisions of this title specifies the
15 applicable law, that provision governs and a contrary agreement is
16 effective only to the extent permitted by the law so specified:

- 17 (1) RCW 62A.2-402;
18 (2) RCW 62A.2A-105 and 62A.2A-106;
19 (3) RCW 62A.4-102;
20 (4) RCW 62A.4A-507;
21 (5) RCW 62A.5-116;
22 (6) RCW 62A.8-110;
23 (7) RCW 62A.9A-301 through 62A.9A-307.

24 NEW SECTION. **Sec. 116.** A new section is added to chapter 62A.1
25 RCW, to be codified as RCW 62A.1-302, to read as follows:

26 VARIATION BY AGREEMENT. (a) Except as otherwise provided in
27 subsection (b) of this section or elsewhere in this title, the effect
28 of provisions of this title may be varied by agreement.

29 (b) The obligations of good faith, diligence, reasonableness, and
30 care prescribed by this title may not be disclaimed by agreement. The
31 parties, by agreement, may determine the standards by which the
32 performance of those obligations is to be measured if those standards
33 are not manifestly unreasonable. Whenever this title requires an
34 action to be taken within a reasonable time, a time that is not
35 manifestly unreasonable may be fixed by agreement.

1 (c) The presence in certain provisions of this title of the phrase
2 "unless otherwise agreed," or words of similar import, does not imply
3 that the effect of other provisions may not be varied by agreement
4 under this section.

5 NEW SECTION. **Sec. 117.** A new section is added to chapter 62A.1
6 RCW, to be codified as RCW 62A.1-303, to read as follows:

7 COURSE OF PERFORMANCE, COURSE OF DEALING, AND USAGE OF TRADE. (a)
8 A "course of performance" is a sequence of conduct between the parties
9 to a particular transaction that exists if:

10 (1) The agreement of the parties with respect to the transaction
11 involves repeated occasions for performance by a party; and

12 (2) The other party, with knowledge of the nature of the
13 performance and opportunity for objection to it, accepts the
14 performance or acquiesces in it without objection.

15 (b) A "course of dealing" is a sequence of conduct concerning
16 previous transactions between the parties to a particular transaction
17 that is fairly to be regarded as establishing a common basis of
18 understanding for interpreting their expressions and other conduct.

19 (c) A "usage of trade" is any practice or method of dealing having
20 such regularity of observance in a place, vocation, or trade as to
21 justify an expectation that it will be observed with respect to the
22 transaction in question. The existence and scope of such a usage must
23 be proved as facts. If it is established that such a usage is embodied
24 in a trade code or similar record, the interpretation of the record is
25 a question of law.

26 (d) A course of performance or course of dealing between the
27 parties or usage of trade in the vocation or trade in which they are
28 engaged or of which they are or should be aware is relevant in
29 ascertaining the meaning of the parties' agreement, may give particular
30 meaning to specific terms of the agreement, and may supplement or
31 qualify the terms of the agreement. A usage of trade applicable in the
32 place in which part of the performance under the agreement is to occur
33 may be so utilized as to that part of the performance.

34 (e) Except as otherwise provided in subsection (f) of this section,
35 the express terms of an agreement and any applicable course of
36 performance, course of dealing, or usage of trade must be construed

1 whenever reasonable as consistent with each other. If such a
2 construction is unreasonable:

3 (1) Express terms prevail over course of performance, course of
4 dealing, and usage of trade;

5 (2) Course of performance prevails over course of dealing and usage
6 of trade; and

7 (3) Course of dealing prevails over usage of trade.

8 (f) Subject to RCW 62A.2-209 and 62A.2A-208, a course of
9 performance is relevant to show a waiver or modification of any term
10 inconsistent with the course of performance.

11 (g) Evidence of a relevant usage of trade offered by one party is
12 not admissible unless that party has given the other party notice that
13 the court finds sufficient to prevent unfair surprise to the other
14 party.

15 NEW SECTION. **Sec. 118.** A new section is added to chapter 62A.1
16 RCW, to be codified as RCW 62A.1-304, to read as follows:

17 OBLIGATION OF GOOD FAITH. Every contract or duty within this title
18 imposes an obligation of good faith in its performance and enforcement.

19 NEW SECTION. **Sec. 119.** A new section is added to chapter 62A.1
20 RCW, to be codified as RCW 62A.1-305, to read as follows:

21 REMEDIES TO BE LIBERALLY ADMINISTERED. (a) The remedies provided
22 by this title must be liberally administered to the end that the
23 aggrieved party may be put in as good a position as if the other party
24 had fully performed but neither consequential or special damages nor
25 penal damages may be had except as specifically provided in this title
26 or by other rule of law.

27 (b) Any right or obligation declared by this title is enforceable
28 by action unless the provision declaring it specifies a different and
29 limited effect.

30 NEW SECTION. **Sec. 120.** A new section is added to chapter 62A.1
31 RCW, to be codified as RCW 62A.1-306, to read as follows:

32 WAIVER OR RENUNCIATION OF CLAIM OR RIGHT AFTER BREACH. A claim or
33 right arising out of an alleged breach may be discharged in whole or in
34 part without consideration by agreement of the aggrieved party in an
35 authenticated record.

1 NEW SECTION. **Sec. 121.** A new section is added to chapter 62A.1
2 RCW, to be codified as RCW 62A.1-307, to read as follows:

3 PRIMA FACIE EVIDENCE BY THIRD-PARTY DOCUMENTS. A document in due
4 form purporting to be a bill of lading, policy or certificate of
5 insurance, official weigher's or inspector's certificate, consular
6 invoice, or any other document authorized or required by the contract
7 to be issued by a third party is prima facie evidence of its own
8 authenticity and genuineness and of the facts stated in the document by
9 the third party.

10 NEW SECTION. **Sec. 122.** A new section is added to chapter 62A.1
11 RCW, to be codified as RCW 62A.1-308, to read as follows:

12 PERFORMANCE OR ACCEPTANCE UNDER RESERVATION OF RIGHTS. (a) A party
13 that with explicit reservation of rights performs or promises
14 performance or assents to performance in a manner demanded or offered
15 by the other party does not thereby prejudice the rights reserved.
16 Such words as "without prejudice," "under protest," or the like are
17 sufficient.

18 (b) Subsection (a) of this section does not apply to an accord and
19 satisfaction.

20 NEW SECTION. **Sec. 123.** A new section is added to chapter 62A.1
21 RCW, to be codified as RCW 62A.1-309, to read as follows:

22 OPTION TO ACCELERATE AT WILL. A term providing that one party or
23 that party's successor in interest may accelerate payment or
24 performance or require collateral or additional collateral "at will" or
25 when the party "deems itself insecure," or words of similar import,
26 means that the party has power to do so only if that party in good
27 faith believes that the prospect of payment or performance is impaired.
28 The burden of establishing lack of good faith is on the party against
29 which the power has been exercised.

30 NEW SECTION. **Sec. 124.** A new section is added to chapter 62A.1
31 RCW, to be codified as RCW 62A.1-310, to read as follows:

32 SUBORDINATED OBLIGATIONS. An obligation may be issued as
33 subordinated to performance of another obligation of the person
34 obligated, or a creditor may subordinate its right to performance of an
35 obligation by agreement with either the person obligated or another

1 creditor of the person obligated. Subordination does not create a
2 security interest as against either the common debtor or a subordinated
3 creditor.

4 **PART II**

5 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 7**

6 **GENERAL**

7 **Sec. 201.** RCW 62A.7-101 and 1965 ex.s. c 157 s 7-101 are each
8 amended to read as follows:

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

11 **Sec. 202.** RCW 62A.7-102 and 2011 c 336 s 825 are each amended to
12 read as follows:

13 DEFINITIONS AND INDEX OF DEFINITIONS. (~~(1)~~) (a) In this article,
14 unless the context otherwise requires:

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

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

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

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

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

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

30 ~~(f)~~) (6) [Reserved.]

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

33 (~~(g)~~) (8) "Issuer" means a bailee (~~(who)~~) that issues a document
34 (~~(except that)~~) of title or, in (~~(relation to)~~) the case of an
35 unaccepted delivery order (~~(it means)~~), the person (~~(who)~~) that orders

1 the possessor of goods to deliver. (~~(Issuer)~~) The term includes
2 (~~(any)~~) a person for (~~(whom)~~) which an agent or employee purports to
3 act in issuing a document if the agent or employee has real or apparent
4 authority to issue documents, (~~(notwithstanding that)~~) even if the
5 issuer (~~(received no)~~) did not receive any goods (~~(or that)~~), the goods
6 were misdescribed, or (~~(that)~~) in any other respect the agent or
7 employee violated (~~(his or her)~~) the issuer's instructions.

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

12 (10) [Reserved.]

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

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

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

20 (13) "Warehouse (~~(operator)~~)" (~~(is)~~) means a person engaged in the
21 business of storing goods for hire.

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

- 24 ~~"Duly negotiate." RCW 62A.7-501.~~
- 25 ~~"Person entitled under the document." RCW 62A.7-403(4).~~

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

- 28 (1) "Contract for sale." RCW 62A.2-106(~~(-~~
29 ~~"Overseas." RCW 62A.2-323.)~~);
- 30 (2) "Lessee in ordinary course of business," RCW 62A.2A-103; and
- 31 (3) "Receipt" of goods(~~(-)~~), RCW 62A.2-103.

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

35 **Sec. 203.** RCW 62A.7-103 and 1965 ex.s. c 157 s 7-103 are each
36 amended to read as follows:

37 RELATION OF ARTICLE TO TREATY(~~(T)~~) OR STATUTE(~~(T-TARIFF,~~

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

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

13 (c) This act modifies, limits, and supersedes the federal
14 electronic signatures in global and national commerce act (15 U.S.C.
15 Sec. 7001, et seq.) but does not modify, limit, or supersede section
16 101(c) of that act (15 U.S.C. Sec. 7001(c)) or authorize electronic
17 delivery of any of the notices described in section 103(b) of that act
18 (15 U.S.C. Sec. 7003(b)).

19 (d) A person in its capacity as an electronic data storage provider
20 or an electronic data transmitter is not subject to this article.

21 **Sec. 204.** RCW 62A.7-104 and 1965 ex.s. c 157 s 7-104 are each
22 amended to read as follows:

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

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

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

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

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

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

4 **Sec. 205.** 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.))~~ (a) 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 (1) The person entitled under the electronic document surrenders
15 control of the document to the issuer; and

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

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

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

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

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

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

- 1 (1) The tangible document ceases to have any effect or validity;
2 and
3 (2) 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. 206. A new section is added to chapter 62A.7
9 RCW, to be codified as RCW 62A.7-106, to read as follows:

10 CONTROL OF ELECTRONIC DOCUMENT OF TITLE. (a) 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 (b) A system satisfies subsection (a) 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 (1) A single authoritative copy of the document exists which is
19 unique, identifiable, and, except as otherwise provided in (4), (5),
20 and (6) of this subsection, unalterable;

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

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

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

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

29 (4) 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 (5) 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 (6) Any amendment of the authoritative copy is readily identifiable
35 as authorized or unauthorized.

PART III
AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 7
WAREHOUSE RECEIPTS: SPECIAL PROVISIONS

Sec. 301. RCW 62A.7-201 and 2011 c 336 s 826 are each amended to read as follows:

~~((WHO))~~ PERSON THAT MAY ISSUE A WAREHOUSE RECEIPT; STORAGE UNDER ~~((GOVERNMENT))~~ BOND. ~~((+1))~~ (a) A warehouse receipt may be issued by any warehouse ~~((operator))~~.

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

Sec. 302. RCW 62A.7-202 and 2011 c 336 s 827 are each amended to read as follows:

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

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

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

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

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

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

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

1 ~~((f))~~ (6) A description of the goods or ~~((ef))~~ the packages
2 containing them;

3 ~~((g))~~ (7) The signature of the warehouse ~~((operator, which may be~~
4 ~~made by his or her authorized))~~ or its agent;

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

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

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

24 **Sec. 303.** RCW 62A.7-203 and 1965 ex.s. c 157 s 7-203 are each
25 amended to read as follows:

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

32 (1) The document conspicuously indicates that the issuer does not
33 know whether ~~((any))~~ all or part ~~((or all))~~ of the goods in fact were
34 received or conform to the description, such as ~~((where))~~ a case in
35 which the description is in terms of marks or labels or kind, quantity,
36 or condition, or the receipt or description is qualified by "contents,

1 condition, and quality unknown," "said to contain," or ~~((the like))~~
2 words of similar import, if ~~((such))~~ the indication ~~((be))~~ is
3 true~~((r))~~; or

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

6 **Sec. 304.** RCW 62A.7-204 and 2011 c 336 s 828 are each amended to
7 read as follows:

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

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

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

1 ~~((+4))~~ (d) This section does not ~~((impair or repeal the duties of~~
2 ~~care or liabilities or penalties for breach thereof as provided in))~~
3 modify or repeal the provisions of chapters 22.09 and 22.32 RCW.

4 **Sec. 305.** RCW 62A.7-205 and 2011 c 336 s 829 are each amended to
5 read as follows:

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

12 **Sec. 306.** RCW 62A.7-206 and 2011 c 336 s 830 are each amended to
13 read as follows:

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

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

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

12 ~~((+4))~~ (d) The warehouse ~~((operator))~~ must deliver the goods to
13 any person entitled to them under this article upon due demand made at
14 any time ~~((prior to))~~ before sale or other disposition under this
15 section.

16 ~~((+5))~~ (e) The warehouse ~~((operator))~~ may satisfy ~~((his or her))~~
17 its lien from the proceeds of any sale or disposition under this
18 section but must hold the balance for delivery on the demand of any
19 person to ~~((whom he or she))~~ which the warehouse would have been bound
20 to deliver the goods.

21 **Sec. 307.** RCW 62A.7-207 and 2011 c 336 s 831 are each amended to
22 read as follows:

23 GOODS MUST BE KEPT SEPARATE; FUNGIBLE GOODS. ~~((+1))~~ (a) Unless
24 the warehouse receipt provides otherwise ~~((provides))~~, a warehouse
25 ~~((operator))~~ must keep separate the goods covered by each receipt so as
26 to permit at all times identification and delivery of those goods
27 ~~((except that))~~. However, different lots of fungible goods may be
28 commingled.

29 ~~((+2))~~ (b) If different lots of fungible goods ~~((so))~~ are
30 commingled, the goods are owned in common by the persons entitled
31 thereto and the warehouse ~~((operator))~~ is severally liable to each
32 owner for that owner's share. ~~((Where))~~ If, because of over-issue, a
33 mass of fungible goods is insufficient to meet all the receipts
34 ~~((which))~~ the warehouse ~~((operator))~~ has issued against it, the persons
35 entitled include all holders to ~~((whom))~~ which overissued receipts have
36 been duly negotiated.

1 **Sec. 308.** RCW 62A.7-208 and 1965 ex.s. c 157 s 7-208 are each
2 amended to read as follows:

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

9 **Sec. 309.** RCW 62A.7-209 and 2011 c 336 s 832 are each amended to
10 read as follows:

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

36 (~~(+2)~~) (b) The warehouse (~~(operator)~~) may also reserve a security
37 interest against the bailor for (~~(a)~~) the maximum amount specified on

1 the receipt for charges other than those specified in subsection
2 ~~((1))~~ (a) of this section, such as for money advanced and interest.
3 ~~((Such a))~~ The security interest is governed by ~~((the Article on~~
4 ~~Secured Transactions (Article 9))~~ Article 9A of this title.

5 ~~((3))~~ (c) A ~~((warehouse operator's))~~ warehouse's lien for charges
6 and expenses under subsection ~~((1))~~ (a) of this section or a security
7 interest under subsection ~~((2))~~ (b) of this section is also effective
8 against any person ~~((who))~~ that so entrusted the bailor with possession
9 of the goods that a pledge of them by ~~((him or her))~~ the bailor to a
10 good faith purchaser for value would have been valid ~~((but is not~~
11 ~~effective against a person as to whom the document confers no right in~~
12 ~~the goods covered by it under RCW 62A.7-503))~~.

13 ~~((4))~~ A warehouse operator loses his or her lien on any goods which
14 he or she voluntarily delivers or which he or she However, the lien
15 or security interest is not effective against a person that before
16 issuance of a document of title had a legal interest or a perfected
17 security interest in the goods and that did not:

18 (1) Deliver or entrust the goods or any document of title covering
19 the goods to the bailor or the bailor's nominee with:

20 (A) Actual or apparent authority to ship, store, or sell;

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

22 (C) Power of disposition under RCW 62A.2-403, 62A.2A-304(2),
23 62A.2A-305(2), 62A.9A-320, or 62A.9A-321(c) or other statute or rule of
24 law; or

25 (2) Acquiesce in the procurement by the bailor or its nominee of
26 any document.

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

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

35 **Sec. 310.** RCW 62A.7-210 and 2011 c 336 s 833 are each amended to
36 read as follows:

37 ENFORCEMENT OF WAREHOUSE ~~((OPERATOR'S))~~ LIEN. ~~((1))~~ (a) Except

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

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

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

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

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

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

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

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

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

20 ~~((4) The))~~ (d) A warehouse ~~((operator))~~ may buy at any public sale
21 held pursuant to this section.

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

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

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

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

1 issuer (~~who is a common carrier must~~) shall ascertain the kind and
2 quantity within a reasonable time after receiving the (~~written~~)
3 shipper's request (~~of the shipper~~) in a record to do so. (~~In such~~
4 ~~eases~~) In that case, "shipper's weight" or (~~other~~) words of (~~like~~
5 ~~purport~~) similar import are ineffective.

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

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

23 **Sec. 402.** RCW 62A.7-302 and 1965 ex.s. c 157 s 7-302 are each
24 amended to read as follows:

25 THROUGH BILLS OF LADING AND SIMILAR DOCUMENTS OF TITLE. (~~(+1)~~)
26 (a) The issuer of a through bill of lading, or other document of title
27 embodying an undertaking to be performed in part by (~~persons~~) a
28 person acting as its agent(~~s~~) or by (~~connecting carriers~~) a
29 performing carrier, is liable to (~~anyone~~) any person entitled to
30 recover on the bill or other document for any breach by (~~such other~~
31 ~~persons or by a connecting~~) the other person or the performing carrier
32 of its obligation under the bill or other document (~~but~~). However,
33 to the extent that the bill or other document covers an undertaking to
34 be performed overseas or in territory not contiguous to the continental
35 United States or an undertaking including matters other than
36 transportation, this liability for breach by the other person or the
37 performing carrier may be varied by agreement of the parties.

1 ~~((2) where))~~ (b) If goods covered by a through bill of lading or
2 other document of title embodying an undertaking to be performed in
3 part by ~~((persons))~~ a person other than the issuer are received by
4 ~~((any such))~~ that person, ~~((he))~~ the person is subject, with respect to
5 ~~((his))~~ its own performance while the goods are in ~~((his))~~ its
6 possession, to the obligation of the issuer. ~~((His))~~ The person's
7 obligation is discharged by delivery of the goods to another ~~((such))~~
8 person pursuant to the bill or other document~~((7))~~ and does not include
9 liability for breach by any other ~~((such))~~ person~~((s))~~ or by the
10 issuer.

11 ~~((3))~~ (c) The issuer of ((such)) a through bill of lading or
12 other document ((shall be)) of title described in subsection (a) of
13 this section is entitled to recover from the ~~((connecting))~~ performing
14 carrier, or ~~((such))~~ other person in possession of the goods when the
15 breach of the obligation under the bill or other document
16 occurred~~((7))~~:

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

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

25 **Sec. 403.** RCW 62A.7-303 and 1965 ex.s. c 157 s 7-303 are each
26 amended to read as follows:

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

32 ~~((a))~~ (1) The holder of a negotiable bill; ((or
33 ~~((b))~~ (2) The consignor on a nonnegotiable bill
34 ~~((notwithstanding)), even if the consignee has given~~ contrary
35 instructions ~~((from the consignee)); ((or
36 ~~((c))~~ (3) The consignee on a nonnegotiable bill in the absence of~~

1 contrary instructions from the consignor, if the goods have arrived at
2 the billed destination or if the consignee is in possession of the
3 tangible bill or in control of the electronic bill; or

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

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

11 **Sec. 404.** RCW 62A.7-304 and 1965 ex.s. c 157 s 7-304 are each
12 amended to read as follows:

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

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

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

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

32 ~~((+5))~~ (e) The bailee ~~((is obliged to))~~ shall deliver in
33 accordance with ~~((Part 4 of this Article))~~ RCW 62A.7-401 through 62A.7-
34 404 against the first presented part of a tangible bill of lading
35 lawfully ~~((drawn))~~ issued in a set. ~~((Such))~~ Delivery in this manner
36 discharges the bailee's obligation on the whole bill.

1 **Sec. 405.** RCW 62A.7-305 and 1965 ex.s. c 157 s 7-305 are each
2 amended to read as follows:

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

7 ~~((+2+))~~ (b) Upon request of ~~((anyone))~~ any person entitled as
8 against ~~((the))~~ a carrier to control the goods while in transit and on
9 surrender of possession or control of any outstanding bill of lading or
10 other receipt covering ~~((such))~~ the goods, the issuer, subject to RCW
11 62A.7-105, may procure a substitute bill to be issued at any place
12 designated in the request.

13 **Sec. 406.** RCW 62A.7-307 and 1965 ex.s. c 157 s 7-307 are each
14 amended to read as follows:

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

26 ~~((+2+))~~ (b) A lien for charges and expenses under subsection
27 ~~((+1+))~~ (a) of this section on goods ~~((which))~~ that the carrier was
28 required by law to receive for transportation is effective against the
29 consignor or any person entitled to the goods unless the carrier had
30 notice that the consignor lacked authority to subject the goods to
31 ~~((such))~~ those charges and expenses. Any other lien under subsection
32 ~~((+1+))~~ (a) of this section is effective against the consignor and any
33 person ~~((who))~~ that permitted the bailor to have control or possession
34 of the goods unless the carrier had notice that the bailor lacked
35 ~~((such))~~ authority.

36 ~~((+3+))~~ (c) A carrier loses ~~((his))~~ its lien on any goods ~~((which~~

1 he)) that it voluntarily delivers or ((~~which he~~)) unjustifiably refuses
2 to deliver.

3 **Sec. 407.** RCW 62A.7-308 and 1965 ex.s. c 157 s 7-308 are each
4 amended to read as follows:

5 ENFORCEMENT OF CARRIER'S LIEN. ((+1)) (a) A carrier's lien on
6 goods may be enforced by public or private sale of the goods, in
7 ((~~bloee~~)) bulk or in ((~~parcels~~)) packages, at any time or place and on
8 any terms ((~~which~~)) that are commercially reasonable, after notifying
9 all persons known to claim an interest in the goods. ((~~Such~~)) The
10 notification must include a statement of the amount due, the nature of
11 the proposed sale, and the time and place of any public sale. The fact
12 that a better price could have been obtained by a sale at a different
13 time or in a method different ((~~method~~)) from that selected by the
14 carrier is not of itself sufficient to establish that the sale was not
15 made in a commercially reasonable manner. The carrier sells goods in
16 a commercially reasonable manner if the carrier ((~~either~~)) sells the
17 goods in the usual manner in any recognized market therefor ((~~or if~~
18 ~~he~~)), sells at the price current in ((~~such~~)) that market at the time of
19 ((~~his~~)) the sale, or ((~~if he has~~)) otherwise ((~~sold~~)) sells in
20 conformity with commercially reasonable practices among dealers in the
21 type of goods sold ((~~he has sold in a commercially reasonable manner~~)).
22 A sale of more goods than apparently necessary to be offered to ensure
23 satisfaction of the obligation is not commercially reasonable, except
24 in cases covered by the preceding sentence.

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

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

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

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

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

8 ~~((+7))~~ (g) A carrier's lien may be enforced ~~((in accordance with))~~
9 pursuant to either subsection ~~((+1))~~ (a) of this section or the
10 procedure set forth in ~~((subsection (2) of))~~ RCW 62A.7-210(b).

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

14 **Sec. 408.** RCW 62A.7-309 and 2009 c 549 s 1017 are each amended to
15 read as follows:

16 DUTY OF CARE; CONTRACTUAL LIMITATION OF CARRIER'S LIABILITY.
17 ~~((Save as otherwise provided in RCW 81.29.010 and 81.29.020~~

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

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

35 ~~((+3))~~ (c) Reasonable provisions as to the time and manner of
36 presenting claims and ~~((instituting))~~ commencing actions based on the

1 shipment may be included in a bill of lading or ~~((tariff))~~ a
2 transportation agreement.

3 **PART V**

4 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 7**

5 **WAREHOUSE RECEIPTS AND BILLS OF LADING: GENERAL OBLIGATIONS**

6 **Sec. 501.** RCW 62A.7-401 and 2011 c 336 s 834 are each amended to
7 read as follows:

8 IRREGULARITIES IN ISSUE OF RECEIPT OR BILL OR CONDUCT OF ISSUER.

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

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

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

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

18 ~~((d))~~ (4) The person issuing the document ~~((does not come within~~
19 ~~the definition of warehouse operator if it))~~ is not a warehouse but the
20 document purports to be a warehouse receipt.

21 **Sec. 502.** RCW 62A.7-402 and 1965 ex.s. c 157 s 7-402 are each
22 amended to read as follows:

23 DUPLICATE ~~((RECEIPT OR BILL))~~ DOCUMENT OF TITLE; OVERISSUANCE.

24 ~~((Neither))~~ A duplicate ~~((nor))~~ or any other document of title
25 purporting to cover goods already represented by an outstanding
26 document of the same issuer does not confer~~((s))~~ any right in the
27 goods, except as provided in the case of tangible bills of lading in a
28 set of parts, overissue of documents for fungible goods ~~((and))~~,
29 substitutes for lost, stolen, or destroyed documents, or substitute
30 documents issued pursuant to RCW 62A.7-105. ~~((But))~~ The issuer is
31 liable for damages caused by ~~((his))~~ its overissue or failure to
32 identify a duplicate document ~~((as such))~~ by a conspicuous notation
33 ~~((on its face))~~.

1 **Sec. 503.** RCW 62A.7-403 and 2011 c 336 s 835 are each amended to
2 read as follows:

3 OBLIGATION OF ~~((WAREHOUSE OPERATOR OR CARRIER))~~ BAILEE TO DELIVER;
4 EXCUSE. ~~((1) The))~~ (a) A bailee ~~((must))~~ shall deliver the goods to
5 a person entitled under ~~((the))~~ a document ~~((who))~~ of title if the
6 person complies with subsections ~~((2) and (3))~~ (b) and (c) of this
7 section, unless and to the extent that the bailee establishes any of
8 the following:

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

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

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

16 ~~((d))~~ (4) The exercise by a seller of ~~((his or her))~~ its right to
17 stop delivery pursuant to ~~((the provisions of the Article on Sales~~
18 ~~))RCW 62A.2-705((+))~~ or by a lessor of its right to stop delivery
19 pursuant to RCW 62A.2A-526;

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

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

25 ~~((g))~~ (7) Any other lawful excuse.

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

30 ~~((3))~~ (c) Unless ~~((the))~~ a person claiming the goods is ~~((one))~~
31 a person against ~~((whom))~~ which the document ~~((confers no))~~ of title
32 does not confer a right under RCW 62A.7-503~~((1), he or she must~~
33 ~~surrender for cancellation or notation of partial deliveries any~~
34 ~~outstanding negotiable document covering the goods, and))~~;

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

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

3 ~~(b) when a document running))~~ If the document's original terms run
4 to bearer, it is negotiated by delivery alone.

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

8 ~~((+3))~~ (4) Negotiation of ((a negotiable)) the document ((of
9 title)) after it has been indorsed to a ((specified)) named person
10 requires indorsement by the ((special indorsee as well as)) named
11 person and delivery.

12 ~~((+4))~~ (5) A ((negotiable)) document ((of title)) is ((u))duly
13 negotiated((u when)) if it is negotiated in the manner stated in this
14 ((section)) subsection to a holder ((who)) that purchases it in good
15 faith, without notice of any defense against or claim to it on the part
16 of any person, and for value, unless it is established that the
17 negotiation is not in the regular course of business or financing or
18 involves receiving the document in settlement or payment of a ((money))
19 monetary obligation.

20 ~~((+5))~~ (b) The following rules apply to a negotiable electronic
21 document of title:

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

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

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

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

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

6 **Sec. 602.** RCW 62A.7-502 and 1965 ex.s. c 157 s 7-502 are each
7 amended to read as follows:

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

12 ((+a)) (1) Title to the document;

13 ((+b)) (2) Title to the goods;

14 ((+c)) (3) All rights accruing under the law of agency or
15 estoppel, including rights to goods delivered to the bailee after the
16 document was issued; and

17 ((+d)) (4) The direct obligation of the issuer to hold or deliver
18 the goods according to the terms of the document free of any defense or
19 claim by ((~~him~~)) the issuer except those arising under the terms of the
20 document or under this article((~~-~~)), but in the case of a delivery
21 order, the bailee's obligation accrues only upon the bailee's
22 acceptance of the delivery order and the obligation acquired by the
23 holder is that the issuer and any indorser will procure the acceptance
24 of the bailee.

25 ((+2)) (b) Subject to ((~~the following section~~)) RCW 62A.7-503,
26 title and rights ((~~so~~)) acquired by due negotiation are not defeated by
27 any stoppage of the goods represented by the document of title or by
28 surrender of ((~~such~~)) the goods by the bailee((~~-~~)) and are not impaired
29 even ((~~though~~)) if:

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

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

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

1 **Sec. 603.** RCW 62A.7-503 and 2000 c 250 s 9A-814 are each amended
2 to read as follows:

3 DOCUMENT OF TITLE TO GOODS DEFEATED IN CERTAIN CASES. ~~((+1))~~ (a)
4 A document of title confers no right in goods against a person ~~((who))~~
5 that before issuance of the document had a legal interest or a
6 perfected security interest in ~~((them and who neither))~~ the goods and
7 that did not:

8 ~~((+a) delivered or entrusted them))~~ (1) Deliver or entrust the
9 goods or any document of title covering ~~((them))~~ the goods to the
10 bailor or ~~((his))~~ the bailor's nominee with:

11 (A) Actual or apparent authority to ship, store, or sell ~~((or~~
12 with));

13 (B) Power to obtain delivery under ~~((this Article -))~~ RCW 62A.7-
14 403~~((+))~~ ; or ~~((with))~~

15 (C) Power of disposition under ~~((this Title -))~~ RCW 62A.2-403 ~~((and~~
16 ~~62A.9A-320+))~~, 62A.2A-304(2), 62A.2A-305(2), 62A.9A-320, 62A.9A-321(c),
17 or other statute or rule of law; ~~((nor))~~ or

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

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

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

33 **Sec. 604.** RCW 62A.7-504 and 1965 ex.s. c 157 s 7-504 are each
34 amended to read as follows:

35 RIGHTS ACQUIRED IN ~~((THE))~~ ABSENCE OF DUE NEGOTIATION; EFFECT OF
36 DIVERSION; ~~((SELLER'S))~~ STOPPAGE OF DELIVERY. ~~((+1))~~ (a) A transferee
37 of a document of title, whether negotiable or nonnegotiable, to

1 ((whom)) which the document has been delivered but not duly negotiated,
2 acquires the title and rights ((which his)) that its transferor had or
3 had actual authority to convey.

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

7 ((+a)) (1) By those creditors of the transferor ((who)) which
8 could treat the ((sale)) transfer as void under RCW ((62A.7-402; or))
9 62A.2-402 or 62A.2A-308;

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

13 +e)) (3) By a lessee from the transferor in ordinary course of
14 business if the bailee has delivered the goods to the lessee or
15 received notification of the lessee's rights; or

16 (4) As against the bailee, by good faith dealings of the bailee
17 with the transferor.

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

24 ((+4)) (d) Delivery of the goods pursuant to a nonnegotiable
25 document of title may be stopped by a seller under RCW 62A.2-705((
26 and)) or a lessor under RCW 62A.2A-526, subject to the requirements of
27 due notification ((there provided)) in those statutes. A bailee
28 ((honoring)) that honors the seller's or lessor's instructions is
29 entitled to be indemnified by the seller or lessor against any
30 resulting loss or expense.

31 **Sec. 605.** RCW 62A.7-505 and 1965 ex.s. c 157 s 7-505 are each
32 amended to read as follows:

33 INDORSER NOT A GUARANTOR FOR OTHER PARTIES. The indorsement of a
34 tangible document of title issued by a bailee does not make the
35 indorser liable for any default by the bailee or ((by)) previous
36 indorsers.

1 **Sec. 606.** RCW 62A.7-506 and 1965 ex.s. c 157 s 7-506 are each
2 amended to read as follows:

3 DELIVERY WITHOUT INDORSEMENT: RIGHT TO COMPEL INDORSEMENT. The
4 transferee of a negotiable tangible document of title has a
5 specifically enforceable right to have ~~((his))~~ its transferor supply
6 any necessary indorsement, but the transfer becomes a negotiation only
7 as of the time the indorsement is supplied.

8 **Sec. 607.** RCW 62A.7-507 and 1965 ex.s. c 157 s 7-507 are each
9 amended to read as follows:

10 WARRANTIES ON NEGOTIATION OR ~~((TRANSFER OF RECEIPT OR BILL))~~
11 DELIVERY OF DOCUMENT OF TITLE. ~~((Where))~~ If a person negotiates or
12 ~~((transfers))~~ delivers a document of title for value, otherwise than as
13 a mere intermediary under ~~((the next following section, then))~~ RCW
14 62A.7-508, unless otherwise agreed ~~((he warrants to his immediate~~
15 ~~purchaser only)),~~ the transferor, in addition to any warranty made in
16 selling or leasing the goods, warrants to its immediate purchaser only
17 that:

18 ~~((a) that))~~ (1) The document is genuine; ~~((and~~
19 ~~(b) that he has no))~~ (2) The transferor does not have knowledge of
20 any fact ~~((which))~~ that would impair ~~((its))~~ the document's validity or
21 worth; and

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

25 **Sec. 608.** RCW 62A.7-508 and 1965 ex.s. c 157 s 7-508 are each
26 amended to read as follows:

27 WARRANTIES OF COLLECTING BANK AS TO DOCUMENTS OF TITLE. A
28 collecting bank or other intermediary known to be entrusted with
29 documents of title on behalf of another or with collection of a draft
30 or other claim against delivery of documents warrants by ~~((such))~~ the
31 delivery of the documents only its own good faith and authority~~((-~~
32 ~~This rule applies))~~ even ~~((though))~~ if the collecting bank or other
33 intermediary has purchased or made advances against the claim or draft
34 to be collected.

1 at least double the value of the goods at the time of posting to
2 indemnify any person injured by the delivery (~~(who)~~) which files a
3 notice of claim within one year after the delivery.

4 **Sec. 702.** RCW 62A.7-602 and 1965 ex.s. c 157 s 7-602 are each
5 amended to read as follows:

6 (~~(ATTACHMENT OF)~~) JUDICIAL PROCESS AGAINST GOODS COVERED BY ((A))
7 NEGOTIABLE DOCUMENT OF TITLE. (~~(Except where the)~~) Unless a document
8 of title was originally issued upon delivery of the goods by a person
9 (~~(who had no)~~) that did not have power to dispose of them, ((no)) a
10 lien (~~(attaches)~~) does not attach by virtue of any judicial process to
11 goods in the possession of a bailee for which a negotiable document of
12 title is outstanding unless possession or control of the document
13 (~~(be)~~) is first surrendered to the bailee or (~~(its)~~) the document's
14 negotiation is enjoined(~~(, and)~~). The bailee (~~(shall)~~) may not be
15 compelled to deliver the goods pursuant to process until possession or
16 control of the document is surrendered to (~~(him or impounded by)~~) the
17 bailee or to the court. (~~(One who purchases)~~) A purchaser of the
18 document for value without notice of the process or injunction takes
19 free of the lien imposed by judicial process.

20 **Sec. 703.** RCW 62A.7-603 and 1965 ex.s. c 157 s 7-603 are each
21 amended to read as follows:

22 CONFLICTING CLAIMS; INTERPLEADER. If more than one person claims
23 title to or possession of the goods, the bailee is excused from
24 delivery until ((he)) the bailee has ((had)) a reasonable time to
25 ascertain the validity of the adverse claims or to (~~(bring an action to~~
26 ~~compel all claimants to interplead and may compel such)~~) commence an
27 action for interpleader. The bailee may assert an interpleader((~~τ~~))
28 either in defending an action for nondelivery of the goods((~~τ~~)) or by
29 original action(~~(, whichever is appropriate)~~).

30 **PART VIII**
31 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 2**

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

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

3 ((+a)) (1) "Buyer" means a person who buys or contracts to buy
4 goods.

5 ~~((b) "Good faith" in the case of a merchant means honesty in fact
6 and the observance of reasonable commercial standards of fair dealing
7 in the trade.))~~ (2) [Reserved.]

8 ((+c)) (3) "Receipt" of goods means taking physical possession of
9 them.

10 ((+d)) (4) "Seller" means a person who sells or contracts to sell
11 goods.

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

14	"Acceptance."	RCW 62A.2-606.
15	"Banker's credit."	RCW 62A.2-325.
16	"Between merchants."	RCW 62A.2-104.
17	"Cancellation."	RCW 62A.2-106(4).
18	"Commercial unit."	RCW 62A.2-105.
19	"Confirmed credit."	RCW 62A.2-325.
20	"Conforming to contract."	RCW 62A.2-106.
21	"Contract for sale."	RCW 62A.2-106.
22	"Cover."	RCW 62A.2-712.
23	"Entrusting."	RCW 62A.2-403.
24	"Financing agency."	RCW 62A.2-104.
25	"Future goods."	RCW 62A.2-105.
26	"Goods."	RCW 62A.2-105.
27	"Identification."	RCW 62A.2-501.
28	"Installment contract."	RCW 62A.2-612.
29	"Letter of credit."	RCW 62A.2-325.
30	"Lot."	RCW 62A.2-105.
31	"Merchant."	RCW 62A.2-104.
32	"Overseas."	RCW 62A.2-323.
33	"Person in position of 34 seller."	RCW 62A.2-707.
35	"Present sale."	RCW 62A.2-106.
36	"Sale."	RCW 62A.2-106.

1 "Sale on approval." RCW 62A.2-326.
2 "Sale or return." RCW 62A.2-326.
3 "Termination." RCW 62A.2-106.

4 ~~((+3))~~ (c) "Control" as provided in RCW 62A.7-106 and the
5 following definitions in other articles apply to this article:

6 "Check." RCW 62A.3-104.
7 "Consignee." RCW 62A.7-102.
8 "Consignor." RCW 62A.7-102.
9 "Consumer goods." RCW 62A.9A-102.
10 "Dishonor." RCW 62A.3-502.
11 "Draft." RCW 62A.3-104.

12 ~~((+4))~~ (d) In addition Article 1 contains general definitions and
13 principles of construction and interpretation applicable throughout
14 this article.

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

17 DEFINITIONS: "MERCHANT"; "BETWEEN MERCHANTS"; "FINANCING
18 AGENCY."~~((-))~~ ~~((+1))~~ (a) "Merchant" means a person who deals in goods
19 of the kind or otherwise by his or her occupation holds himself or
20 herself out as having knowledge or skill peculiar to the practices or
21 goods involved in the transaction or to whom such knowledge or skill
22 may be attributed by his or her employment of an agent or broker or
23 other intermediary who by his or her occupation holds himself or
24 herself out as having such knowledge or skill.

25 ~~((+2))~~ (b) "Financing agency" means a bank, finance company or
26 other person who in the ordinary course of business makes advances
27 against goods or documents of title or who by arrangement with either
28 the seller or the buyer intervenes in ordinary course to make or
29 collect payment due or claimed under the contract for sale, as by
30 purchasing or paying the seller's draft or making advances against it
31 or by merely taking it for collection whether or not documents of title
32 accompany or are associated with the draft. "Financing agency"

1 includes also a bank or other person who similarly intervenes between
2 persons who are in the position of seller and buyer in respect to the
3 goods (RCW 62A.2-707).

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

7 **Sec. 803.** RCW 62A.2-202 and 1965 ex.s. c 157 s 2-202 are each
8 amended to read as follows:

9 FINAL WRITTEN EXPRESSION: PAROL OR EXTRINSIC EVIDENCE. Terms with
10 respect to which the confirmatory memoranda of the parties agree or
11 which are otherwise set forth in a writing intended by the parties as
12 a final expression of their agreement with respect to such terms as are
13 included therein may not be contradicted by evidence of any prior
14 agreement or of a contemporaneous oral agreement but may be explained
15 or supplemented:

16 ~~((a))~~ (1) By course of performance, course of dealing, or usage
17 of trade ~~((RCW 62A.1-205) or by course of performance (RCW 62A.2-~~
18 ~~208))~~ (RCW 62A.1-303); and

19 ~~((b))~~ (2) By evidence of consistent additional terms unless the
20 court finds the writing to have been intended also as a complete and
21 exclusive statement of the terms of the agreement.

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

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

26 ~~((a))~~ (1) Payment is due at the time and place at which the buyer
27 is to receive the goods even though the place of shipment is the place
28 of delivery; and

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

34 ~~((c))~~ (3) If delivery is authorized and made by way of documents
35 of title otherwise than by subsection ~~((b))~~ (2) of this section then
36 payment is due regardless of where the goods are to be received (a) at

1 the time and place at which the buyer is to receive delivery of the
2 tangible documents (~~((regardless of where the goods are to be received))~~)
3 or (b) at the time the buyer is to receive delivery of the electronic
4 documents and at the seller's place of business or if none, the
5 seller's residence; and

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

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

12 FORM OF BILL OF LADING REQUIRED IN OVERSEAS SHIPMENT; "OVERSEAS."
13 ~~((+1))~~ (a) Where the contract contemplates overseas shipment and
14 contains a term C.I.F. or C.&F. or F.O.B. vessel, the seller unless
15 otherwise agreed must obtain a negotiable bill of lading stating that
16 the goods have been loaded on board or, in the case of a term C.I.F. or
17 C.&F., received for shipment.

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

24 ~~((+a))~~ (1) Due tender of a single part is acceptable within the
25 provisions of this article on cure of improper delivery (~~((subsection~~
26 ~~+1) of))~~ RCW 62A.2-508(1)); and

27 ~~((+b))~~ (2) Even though the full set is demanded, if the documents
28 are sent from abroad the person tendering an incomplete set may
29 nevertheless require payment upon furnishing an indemnity which the
30 buyer in good faith deems adequate.

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

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

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

8 (1) Title to goods cannot pass under a contract for sale prior to
9 their identification to the contract (RCW 62A.2-501), and unless
10 otherwise explicitly agreed the buyer acquires by their identification
11 a special property as limited by this title. Any retention or
12 reservation by the seller of the title (property) in goods shipped or
13 delivered to the buyer is limited in effect to a reservation of a
14 security interest. Subject to these provisions and to the provisions
15 of the Article on Secured Transactions Article 9A, title to goods
16 passes from the seller to the buyer in any manner and on any conditions
17 explicitly agreed on by the parties.

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

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

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

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

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

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

1 (4) A rejection or other refusal by the buyer to receive or retain
2 the goods, whether or not justified, or a justified revocation of
3 acceptance reverts title to the goods in the seller. Such reversioning
4 occurs by operation of law and is not a "sale."~~((-))~~

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

7 MANNER OF SELLER'S TENDER OF DELIVERY. ~~((+1))~~ (a) Tender of
8 delivery requires that the seller put and hold conforming goods at the
9 buyer's disposition and give the buyer any notification reasonably
10 necessary to enable him or her to take delivery. The manner, time and
11 place for tender are determined by the agreement and this article, and
12 in particular:

13 ~~((+a))~~ (1) Tender must be at a reasonable hour, and if it is of
14 goods they must be kept available for the period reasonably necessary
15 to enable the buyer to take possession; but

16 ~~((+b))~~ (2) Unless otherwise agreed the buyer must furnish
17 facilities reasonably suited to the receipt of the goods.

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

20 ~~((+3))~~ (c) Where the seller is required to deliver at a particular
21 destination tender requires that he or she comply with subsection
22 ~~((+1))~~ (a) of this section and also in any appropriate case tender
23 documents as described in subsections ~~((+4) and (+5))~~ (d) and (e) of
24 this section.

25 ~~((+4))~~ (d) Where goods are in the possession of a bailee and are
26 to be delivered without being moved:

27 ~~((+a))~~ (1) Tender requires that the seller either tender a
28 negotiable document of title covering such goods or procure
29 acknowledgment by the bailee of the buyer's right to possession of the
30 goods; but

31 ~~((+b))~~ (2) Tender to the buyer of a nonnegotiable document of
32 title or of a ~~((written direction to))~~ record directing the bailee to
33 deliver is sufficient tender unless the buyer seasonably objects, and
34 except as otherwise provided in Article 9A of this title, receipt by
35 the bailee of notification of the buyer's rights fixes those rights as
36 against the bailee and all third persons; but risk of loss of the goods
37 and of any failure by the bailee to honor the nonnegotiable document of

1 title or to obey the direction remains on the seller until the buyer
2 has had a reasonable time to present the document or direction, and a
3 refusal by the bailee to honor the document or to obey the direction
4 defeats the tender.

5 ((+5)) (e) Where the contract requires the seller to deliver
6 documents:

7 ((+a)) (1) He or she must tender all such documents in correct
8 form, except as provided in this article with respect to bills of
9 lading in a set ((~~subsection (2) of~~) RCW 62A.2-323**(b)**); and

10 ((+b)) (2) Tender through customary banking channels is sufficient
11 and dishonor of a draft accompanying or associated with the documents
12 constitutes nonacceptance or rejection.

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

15 SELLER'S SHIPMENT UNDER RESERVATION. ((+1)) (a) Where the seller
16 has identified goods to the contract by or before shipment:

17 ((+a)) (1) His or her procurement of a negotiable bill of lading
18 to his or her own order or otherwise reserves in him or her a security
19 interest in the goods. His or her procurement of the bill to the order
20 of a financing agency or of the buyer indicates in addition only the
21 seller's expectation of transferring that interest to the person named.

22 ((+b)) (2) A nonnegotiable bill of lading to himself or herself or
23 his or her nominee reserves possession of the goods as security but
24 except in a case of conditional delivery ((~~subsection (2) of~~) RCW
25 62A.2-507**(2)**) a nonnegotiable bill of lading naming the buyer as
26 consignee reserves no security interest even though the seller retains
27 possession or control of the bill of lading.

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

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

36 RIGHTS OF FINANCING AGENCY. ((+1)) (a) A financing agency by

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

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

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

14 RISK OF LOSS IN THE ABSENCE OF BREACH. ((+1)) (a) Where the
15 contract requires or authorizes the seller to ship the goods by
16 carrier:

17 ((+a)) (1) If it does not require him or her to deliver them at a
18 particular destination, the risk of loss passes to the buyer when the
19 goods are duly delivered to the carrier even though the shipment is
20 under reservation (RCW 62A.2-505); but

21 ((+b)) (2) If it does require him or her to deliver them at a
22 particular destination and the goods are there duly tendered while in
23 the possession of the carrier, the risk of loss passes to the buyer
24 when the goods are there duly so tendered as to enable the buyer to
25 take delivery.

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

28 ((+a)) (1) On his or her receipt of possession or control of a
29 negotiable document of title covering the goods; or

30 ((+b)) (2) On acknowledgment by the bailee of the buyer's right to
31 possession of the goods; or

32 ((+e)) (3) After his or her receipt of possession or control of a
33 nonnegotiable document of title or other (~~written~~) direction to
34 deliver in a record, as provided in (~~subsection (4)(b) of~~) RCW 62A.2-
35 503(d)(2).

36 ((+3)) (c) In any case not within subsection ((+1) ~~or~~ (+2)) (a) or

1 (b) of this section, the risk of loss passes to the buyer on his or her
2 receipt of the goods if the seller is a merchant; otherwise the risk
3 passes to the buyer on tender of delivery.

4 ~~((+4))~~ (d) The provisions of this section are subject to contrary
5 agreement of the parties and to the provisions of this article on sale
6 on approval (RCW 62A.2-327) and on effect of breach on risk of loss
7 (RCW 62A.2-510).

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

10 WAIVER OF BUYER'S OBJECTIONS BY FAILURE TO PARTICULARIZE. ~~((+1))~~

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

15 ~~((+a))~~ (1) Where the seller could have cured it if stated
16 seasonably; or

17 ~~((+b))~~ (2) Between merchants when the seller has after rejection
18 made a request in writing for a full and final written statement of all
19 defects on which the buyer proposes to rely.

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

23 **Sec. 812.** RCW 62A.2-705 and 2011 c 336 s 823 are each amended to
24 read as follows:

25 SELLER'S STOPPAGE OF DELIVERY IN TRANSIT OR OTHERWISE. ~~((+1))~~ (a)

26 The seller may stop delivery of goods in the possession of a carrier or
27 other bailee when he or she discovers the buyer to be insolvent (RCW
28 62A.2-702) and may stop delivery of carload, truckload, planeload, or
29 larger shipments of express or freight when the buyer repudiates or
30 fails to make a payment due before delivery or if for any other reason
31 the seller has a right to withhold or reclaim the goods.

32 ~~((+2))~~ (b) As against such buyer the seller may stop delivery
33 until:

34 ~~((+a))~~ (1) Receipt of the goods by the buyer; or

35 ~~((+b))~~ (2) Acknowledgment to the buyer by any bailee of the goods
36 except a carrier that the bailee holds the goods for the buyer; or

1 of which materially impairs its character or value on the market or in
2 use. A commercial unit may be a single article, as a machine, or a set
3 of articles, as a suite of furniture or a line of machinery, or a
4 quantity, as a gross or carload, or any other unit treated in use or in
5 the relevant market as a single whole.

6 ~~((d))~~ (4) "Conforming" goods or performance under a lease
7 contract means goods or performance that are in accordance with the
8 obligations under the lease contract.

9 ~~((e))~~ (5) "Consumer lease" means a lease that a lessor regularly
10 engaged in the business of leasing or selling makes to a lessee who is
11 an individual who takes under the lease primarily for a personal,
12 family, or household purpose, if the total payments to be made under
13 the lease contract, excluding payments for options to renew or buy, do
14 not exceed twenty-five thousand dollars.

15 ~~((f))~~ (6) "Fault" means wrongful act, omission, breach, or
16 default.

17 ~~((g))~~ (7) "Finance lease" means a lease with respect to which:

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

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

22 ~~((iii))~~ (C) Only in the case of a consumer lease, either:

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

26 ~~((B))~~ (ii) The lessee's approval of the contract by which the
27 lessor acquired the goods or the right to possession and use of the
28 goods is a condition to effectiveness of the lease contract; or

29 ~~((C))~~ (iii) The lessee, before signing the lease contract,
30 receives an accurate and complete statement designating the promises
31 and warranties, and any disclaimers of warranties, limitations or
32 modifications of remedies, or liquidated damages, including those of a
33 third party, such as the manufacturer of the goods, provided to the
34 lessor by the person supplying the goods in connection with or as part
35 of the contract by which the lessor acquired the goods or the right to
36 possession and use of the goods.

37 ~~((h))~~ (8) "Goods" means all things that are movable at the time
38 of identification to the lease contract, or are fixtures (RCW 62A.2A-

1 309), but the term does not include money, documents, instruments,
2 accounts, chattel paper, general intangibles, or minerals or the like,
3 including oil and gas, before extraction. The term also includes the
4 unborn young of animals.

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

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

14 ((+k)) (11) "Lease agreement" means the bargain, with respect to
15 the lease, of the lessor and the lessee in fact as found in their
16 language or by implication from other circumstances including course of
17 dealing or usage of trade or course of performance as provided in this
18 article. Unless the context clearly indicates otherwise, the term
19 includes a sublease agreement.

20 ((+l)) (12) "Lease contract" means the total legal obligation that
21 results from the lease agreement as affected by this article and any
22 other applicable rules of law. Unless the context clearly indicates
23 otherwise, the term includes a sublease contract.

24 ((+m)) (13) "Leasehold interest" means the interest of the lessor
25 or the lessee under a lease contract.

26 ((+n)) (14) "Lessee" means a person who acquires the right to
27 possession and use of goods under a lease. Unless the context clearly
28 indicates otherwise, the term includes a sublessee.

29 ((+o)) (15) "Lessee in ordinary course of business" means a person
30 who in good faith and without knowledge that the lease to him or her is
31 in violation of the ownership rights or security interest or leasehold
32 interest of a third party in the goods, leases in ordinary course from
33 a person in the business of selling or leasing goods of that kind, but
34 does not include a pawnbroker. "Leasing" may be for cash, or by
35 exchange of other property, or on secured or unsecured credit and
36 includes ((~~receiving~~)) acquiring goods or documents of title under a
37 preexisting lease contract but does not include a transfer in bulk or
38 as security for or in total or partial satisfaction of a money debt.

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

4 (~~(q)~~) (17) "Lessor's residual interest" means the lessor's
5 interest in the goods after expiration, termination, or cancellation of
6 the lease contract.

7 (~~(r)~~) (18) "Lien" means a charge against or interest in goods to
8 secure payment of a debt or performance of an obligation, but the term
9 does not include a security interest.

10 (~~(s)~~) (19) "Lot" means a parcel or a single article that is the
11 subject matter of a separate lease or delivery, whether or not it is
12 sufficient to perform the lease contract.

13 (~~(t)~~) (20) "Merchant lessee" means a lessee that is a merchant
14 with respect to goods of the kind subject to the lease.

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

23 (~~(v)~~) (22) "Purchase" includes taking by sale, lease, mortgage,
24 security interest, pledge, gift, or any other voluntary transaction
25 creating an interest in goods.

26 (~~(w)~~) (23) "Sublease" means a lease of goods the right to
27 possession and use of which was acquired by the lessor as a lessee
28 under an existing lease.

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

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

33 (~~(z)~~) (26) "Termination" occurs when either party pursuant to a
34 power created by agreement or law puts an end to the lease contract
35 otherwise than for default.

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

1	"Accessions."	RCW 62A.2A-310(1).
2	"Construction	
3	mortgage."	RCW 62A.2A-309(1)(d).
4	"Encumbrance."	RCW 62A.2A-309(1)(e).
5	"Fixtures."	RCW 62A.2A-309(1)(a).
6	"Fixture filing."	RCW 62A.2A-309(1)(b).
7	"Purchase money	
8	lease."	RCW 62A.2A-309(1)(c).

9 ~~((+3))~~ (c) The following definitions in other articles apply to
10 this article:

11	"Account."	RCW 62A.9A-102(a)(2).
12	"Between merchants."	RCW 62A.2-104 ((+3)) <u>(c)</u> .
13	"Buyer."	RCW 62A.2-103 ((+a))
14		<u>(a)(1)</u> .
15	"Chattel paper."	RCW 62A.9A-102(a)(11).
16	"Consumer goods."	RCW 62A.9A-102(a)(23).
17	"Document."	RCW 62A.9A-102(a)(30).
18	"Entrusting."	RCW 62A.2-403(3).
19	"General intangible."	RCW 62A.9A-102(a)(42).
20	("Good faith."	RCW 62A.2-103(1)(b);
21	"Instrument."	RCW 62A.9A-102(a)(47).
22	"Merchant."	RCW 62A.2-104 ((+)) <u>(a)</u> .
23	"Mortgage."	RCW 62A.9A-102(a)(55).
24	"Pursuant to	
25	commitment."	RCW 62A.9A-102(a)(68).
26	"Receipt."	RCW 62A.2-103 ((+e))
27		<u>(a)(3)</u> .
28	"Sale."	RCW 62A.2-106(1).
29	"Sale on approval."	RCW 62A.2-326.
30	"Sale or return."	RCW 62A.2-326.
31	"Seller."	RCW 62A.2-103 ((+d))
32		<u>(a)(4)</u> .

1 ~~((4))~~ (d) In addition, Article ~~((62A.1 RCW))~~ 1 of this title
2 contains general definitions and principles of construction and
3 interpretation applicable throughout this article.

4 **Sec. 902.** RCW 62A.2A-103 and 2011 c 74 s 701 are each amended to
5 read as follows:

6 DEFINITIONS AND INDEX OF DEFINITIONS. ~~((1))~~ (a) In this article
7 unless the context otherwise requires:

8 ~~((a))~~ (1) "Buyer in ordinary course of business" means a person
9 who in good faith and without knowledge that the sale to him or her is
10 in violation of the ownership rights or security interest or leasehold
11 interest of a third party in the goods, buys in ordinary course from a
12 person in the business of selling goods of that kind but does not
13 include a pawnbroker. "Buying" may be for cash, or by exchange of
14 other property, or on secured or unsecured credit, and includes
15 ~~((receiving))~~ acquiring goods or documents of title under a preexisting
16 contract for sale but does not include a transfer in bulk or as
17 security for or in total or partial satisfaction of a money debt.

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

20 ~~((c))~~ (3) "Commercial unit" means such a unit of goods as by
21 commercial usage is a single whole for purposes of lease and division
22 of which materially impairs its character or value on the market or in
23 use. A commercial unit may be a single article, as a machine, or a set
24 of articles, as a suite of furniture or a line of machinery, or a
25 quantity, as a gross or carload, or any other unit treated in use or in
26 the relevant market as a single whole.

27 ~~((d))~~ (4) "Conforming" goods or performance under a lease
28 contract means goods or performance that are in accordance with the
29 obligations under the lease contract.

30 ~~((e))~~ (5) "Consumer lease" means a lease that a lessor regularly
31 engaged in the business of leasing or selling makes to a lessee who is
32 an individual who takes under the lease primarily for a personal,
33 family, or household purpose, if the total payments to be made under
34 the lease contract, excluding payments for options to renew or buy, do
35 not exceed twenty-five thousand dollars.

36 ~~((f))~~ (6) "Fault" means wrongful act, omission, breach, or
37 default.

1 ~~((g))~~ (7) "Finance lease" means a lease with respect to which:
2 ~~((i))~~ (A) The lessor does not select, manufacture, or supply the
3 goods;
4 ~~((ii))~~ (B) The lessor acquires the goods or the right to
5 possession and use of the goods in connection with the lease; and
6 ~~((iii))~~ (C) Only in the case of a consumer lease, either:
7 ~~((A))~~ (i) The lessee receives a copy of the contract by which the
8 lessor acquired the goods or the right to possession and use of the
9 goods before signing the lease contract;
10 ~~((B))~~ (ii) The lessee's approval of the contract by which the
11 lessor acquired the goods or the right to possession and use of the
12 goods is a condition to effectiveness of the lease contract; or
13 ~~((C))~~ (iii) The lessee, before signing the lease contract,
14 receives an accurate and complete statement designating the promises
15 and warranties, and any disclaimers of warranties, limitations or
16 modifications of remedies, or liquidated damages, including those of a
17 third party, such as the manufacturer of the goods, provided to the
18 lessor by the person supplying the goods in connection with or as part
19 of the contract by which the lessor acquired the goods or the right to
20 possession and use of the goods.
21 ~~((h))~~ (8) "Goods" means all things that are movable at the time
22 of identification to the lease contract, or are fixtures (RCW 62A.2A-
23 309), but the term does not include money, documents, instruments,
24 accounts, chattel paper, general intangibles, or minerals or the like,
25 including oil and gas, before extraction. The term also includes the
26 unborn young of animals.
27 ~~((i))~~ (9) "Installment lease contract" means a lease contract
28 that authorizes or requires the delivery of goods in separate lots to
29 be separately accepted, even though the lease contract contains a
30 clause "each delivery is a separate lease" or its equivalent.
31 ~~((j))~~ (10) "Lease" means a transfer of the right to possession
32 and use of goods for a term in return for consideration, but a sale,
33 including a sale on approval or a sale or return, or retention or
34 creation of a security interest is not a lease. Unless the context
35 clearly indicates otherwise, the term includes a sublease.
36 ~~((k))~~ (11) "Lease agreement" means the bargain, with respect to
37 the lease, of the lessor and the lessee in fact as found in their
38 language or by implication from other circumstances including course of

1 dealing or usage of trade or course of performance as provided in this
2 article. Unless the context clearly indicates otherwise, the term
3 includes a sublease agreement.

4 ((~~1~~)) (12) "Lease contract" means the total legal obligation that
5 results from the lease agreement as affected by this article and any
6 other applicable rules of law. Unless the context clearly indicates
7 otherwise, the term includes a sublease contract.

8 ((~~m~~)) (13) "Leasehold interest" means the interest of the lessor
9 or the lessee under a lease contract.

10 ((~~n~~)) (14) "Lessee" means a person who acquires the right to
11 possession and use of goods under a lease. Unless the context clearly
12 indicates otherwise, the term includes a sublessee.

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

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

26 ((~~q~~)) (17) "Lessor's residual interest" means the lessor's
27 interest in the goods after expiration, termination, or cancellation of
28 the lease contract.

29 ((~~r~~)) (18) "Lien" means a charge against or interest in goods to
30 secure payment of a debt or performance of an obligation, but the term
31 does not include a security interest.

32 ((~~s~~)) (19) "Lot" means a parcel or a single article that is the
33 subject matter of a separate lease or delivery, whether or not it is
34 sufficient to perform the lease contract.

35 ((~~t~~)) (20) "Merchant lessee" means a lessee that is a merchant
36 with respect to goods of the kind subject to the lease.

37 ((~~u~~)) (21) "Present value" means the amount as of a date certain
38 of one or more sums payable in the future, discounted to the date

1 certain. The discount is determined by the interest rate specified by
2 the parties if the rate was not manifestly unreasonable at the time the
3 transaction was entered into; otherwise, the discount is determined by
4 a commercially reasonable rate that takes into account the facts and
5 circumstances of each case at the time the transaction was entered
6 into.

7 ~~((v))~~ (22) "Purchase" includes taking by sale, lease, mortgage,
8 security interest, pledge, gift, or any other voluntary transaction
9 creating an interest in goods.

10 ~~((w))~~ (23) "Sublease" means a lease of goods the right to
11 possession and use of which was acquired by the lessor as a lessee
12 under an existing lease.

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

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

17 ~~((z))~~ (26) "Termination" occurs when either party pursuant to a
18 power created by agreement or law puts an end to the lease contract
19 otherwise than for default.

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

- 22 "Accessions." RCW 62A.2A-310.
- 23 "Construction
- 24 mortgage." RCW 62A.2A-309.
- 25 "Encumbrance." RCW 62A.2A-309.
- 26 "Fixtures." RCW 62A.2A-309.
- 27 "Fixture filing." RCW 62A.2A-309.
- 28 "Purchase money
- 29 lease." RCW 62A.2A-309.

30 ~~((3))~~ (c) The following definitions in other articles apply to
31 this article:

- 32 "Account." RCW 62A.9A-102.
- 33 "Between merchants." RCW 62A.2-104.
- 34 "Buyer." RCW 62A.2-103.

1	"Chattel paper."	RCW 62A.9A-102.
2	"Consumer goods."	RCW 62A.9A-102.
3	"Document."	RCW 62A.9A-102.
4	"Entrusting."	RCW 62A.2-403.
5	"General intangible."	RCW 62A.9A-102.
6	("Good faith.")	RCW 62A.2-103.)
7	"Instrument."	RCW 62A.9A-102.
8	"Merchant."	RCW 62A.2-104((+)) <u>(a)</u> .
9	"Mortgage."	RCW 62A.9A-102.
10	"Pursuant to	
11	commitment."	RCW 62A.9A-102.
12	"Receipt."	RCW 62A.2-103.
13	"Sale."	RCW 62A.2-106.
14	"Sale on approval."	RCW 62A.2-326.
15	"Sale or return."	RCW 62A.2-326.
16	"Seller."	RCW 62A.2-103.

17 (~~(+4)~~) (d) In addition, Article (~~(62A.1 RCW)~~) 1 of this title
18 contains general definitions and principles of construction and
19 interpretation applicable throughout this article.

20 **Sec. 903.** RCW 62A.2A-501 and 1993 c 230 s 2A-501 are each amended
21 to read as follows:

22 DEFAULT: PROCEDURE. (~~(+1)~~) (a) Whether the lessor or the lessee
23 is in default under a lease contract is determined by the lease
24 agreement and this article.

25 (~~(+2)~~) (b) If the lessor or the lessee is in default under the
26 lease contract, the party seeking enforcement has rights and remedies
27 as provided in this article and, except as limited by this article, as
28 provided in the lease agreement.

29 (~~(+3)~~) (c) If the lessor or the lessee is in default under the
30 lease contract, the party seeking enforcement may reduce the party's
31 claim to judgment, or otherwise enforce the lease contract by self help
32 or any available judicial procedure or nonjudicial procedure, including
33 administrative proceeding, arbitration, or the like, in accordance with
34 this article.

35 (~~(+4)~~) (d) Except as otherwise provided in (~~(RCW 62A.1 106(1))~~)

1 RCW 62A.1-305(a) or this article or the lease agreement, the rights and
2 remedies referred to in subsections (~~((2) and (3))~~) (b) and (c) of this
3 section are cumulative.

4 (~~((5))~~) (e) If the lease agreement covers both real property and
5 goods, the party seeking enforcement may proceed under this Part 5 as
6 to the goods, or under other applicable law as to both the real
7 property and the goods in accordance with that party's rights and
8 remedies in respect of the real property, in which case this Part 5
9 does not apply.

10 **Sec. 904.** RCW 62A.2A-514 and 1993 c 230 s 2A-514 are each amended
11 to read as follows:

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

16 (~~((a))~~) (1) If, stated seasonably, the lessor or the supplier could
17 have cured it (RCW 62A.2A-513); or

18 (~~((b))~~) (2) Between merchants if the lessor or the supplier after
19 rejection has made a request in writing for a full and final written
20 statement of all defects on which the lessee proposes to rely.

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

24 **Sec. 905.** RCW 62A.2A-518 and 1993 c 230 s 2A-518 are each amended
25 to read as follows:

26 COVER; SUBSTITUTE GOODS. (~~((1))~~) (a) After a default by a lessor
27 under the lease contract of the type described in (~~((+))~~)RCW 62A.2A-
28 508(1)(~~((+))~~), or, if agreed, after other default by the lessor, the
29 lessee may cover by making any purchase or lease of or contract to
30 purchase or lease goods in substitution for those due from the lessor.

31 (~~((2))~~) (b) Except as otherwise provided with respect to damages
32 liquidated in the lease agreement (RCW 62A.2A-504) or otherwise
33 determined pursuant to agreement of the parties (~~((RCW 62A.1-102(3))~~)
34 (RCW 62A.1-302 and 62A.2A-503), if a lessee's cover is by a lease
35 agreement substantially similar to the original lease agreement and the
36 new lease agreement is made in good faith and in a commercially

1 reasonable manner, the lessee may recover from the lessor as damages
2 ~~((+i))~~ (1) the present value, as of the date of the commencement of
3 the term of the new lease agreement, of the rent under the new lease
4 applicable to that period of the new lease term which is comparable to
5 the then remaining term of the original lease agreement minus the
6 present value as of the same date of the total rent for the then
7 remaining lease term of the original lease agreement, and ~~((+ii))~~ (2)
8 any incidental or consequential damages, less expenses saved in
9 consequence of the lessor's default.

10 ~~((+3))~~ (c) If a lessee's cover is by lease agreement that for any
11 reason does not qualify for treatment under subsection ~~((+2))~~ (b) of
12 this section, or is by purchase or otherwise, the lessee may recover
13 from the lessor as if the lessee had elected not to cover and RCW
14 62A.2A-519 governs.

15 **Sec. 906.** RCW 62A.2A-519 and 1993 c 230 s 2A-519 are each amended
16 to read as follows:

17 LESSEE'S DAMAGES FOR NONDELIVERY, REPUDIATION, DEFAULT, AND BREACH
18 OF WARRANTY IN REGARD TO ACCEPTED GOODS. ~~((+1))~~ (a) Except as
19 otherwise provided with respect to damages liquidated in the lease
20 agreement (RCW 62A.2A-504) or otherwise determined pursuant to
21 agreement of the parties ~~((RCW 62A.1-102(3)))~~ (RCW 62A.1-302 and
22 62A.2A-503), if a lessee elects not to cover or a lessee elects to
23 cover and the cover is by lease agreement that for any reason does not
24 qualify for treatment under RCW 62A.2A-518~~((+2))~~ (b), or is by
25 purchase or otherwise, the measure of damages for nondelivery or
26 repudiation by the lessor or for rejection or revocation of acceptance
27 by the lessee is the present value, as of the date of the default, of
28 the then market rent minus the present value as of the same date of the
29 original rent, computed for the remaining lease term of the original
30 lease agreement, together with incidental and consequential damages,
31 less expenses saved in consequence of the lessor's default.

32 ~~((+2))~~ (b) Market rent is to be determined as of the place for
33 tender or, in cases of rejection after arrival or revocation of
34 acceptance, as of the place of arrival.

35 ~~((+3))~~ (c) Except as otherwise agreed, if the lessee has accepted
36 goods and given notification (RCW 62A.2A-516~~((+3))~~), the measure of
37 damages for nonconforming tender or delivery or other default by a

1 lessor is the loss resulting in the ordinary course of events from the
2 lessor's default as determined in any manner that is reasonable
3 together with incidental and consequential damages, less expenses saved
4 in consequence of the lessor's default.

5 ((+4)) (d) Except as otherwise agreed, the measure of damages for
6 breach of warranty is the present value at the time and place of
7 acceptance of the difference between the value of the use of the goods
8 accepted and the value if they had been as warranted for the lease
9 term, unless special circumstances show proximate damages of a
10 different amount, together with incidental and consequential damages,
11 less expenses saved in consequence of the lessor's default or breach of
12 warranty.

13 **Sec. 907.** RCW 62A.2A-526 and 2011 c 336 s 824 are each amended to
14 read as follows:

15 LESSOR'S STOPPAGE OF DELIVERY IN TRANSIT OR OTHERWISE. ((+1)) (a)
16 A lessor may stop delivery of goods in the possession of a carrier or
17 other bailee if the lessor discovers the lessee to be insolvent and may
18 stop delivery of carload, truckload, planeload, or larger shipments of
19 express or freight if the lessee repudiates or fails to make a payment
20 due before delivery, whether for rent, security, or otherwise under the
21 lease contract, or for any other reason the lessor has a right to
22 withhold or take possession of the goods.

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

25 ((+a)) (1) Receipt of the goods by the lessee;

26 ((+b)) (2) Acknowledgment to the lessee by any bailee of the
27 goods, except a carrier, that the bailee holds the goods for the
28 lessee; or

29 ((+c)) (3) Such an acknowledgment to the lessee by a carrier via
30 reshipment or as a warehouse (~~operator~~).

31 ((+3)(a)) (c)(1) To stop delivery, a lessor shall so notify as to
32 enable the bailee by reasonable diligence to prevent delivery of the
33 goods.

34 ((+b)) (2) After notification, the bailee shall hold and deliver
35 the goods according to the directions of the lessor, but the lessor is
36 liable to the bailee for any ensuing charges or damages.

1 ~~((e))~~ (3) A carrier who has issued a nonnegotiable bill of lading
2 is not obliged to obey a notification to stop received from a person
3 other than the consignor.

4 **Sec. 908.** RCW 62A.2A-527 and 1993 c 230 s 2A-527 are each amended
5 to read as follows:

6 LESSOR'S RIGHTS TO DISPOSE OF GOODS. ~~((1))~~ (a) After a default
7 by a lessee under the lease contract of the type described in RCW
8 62A.2A-523 (1) or (3)(a) or after the lessor refuses to deliver or
9 takes possession of goods (RCW 62A.2A-525 or 62A.2A-526), or, if
10 agreed, after other default by a lessee, the lessor may dispose of the
11 goods concerned or the undelivered balance thereof by lease, sale, or
12 otherwise.

13 ~~((2))~~ (b) Except as otherwise provided with respect to damages
14 liquidated in the lease agreement (RCW 62A.2A-504) or otherwise
15 determined pursuant to agreement of the parties ~~((RCW 62A.1-102(3))~~
16 (RCW 62A.1-302 and 62A.2A-503), if the disposition is by lease
17 agreement substantially similar to the original lease agreement and the
18 new lease agreement is made in good faith and in a commercially
19 reasonable manner, the lessor may recover from the lessee as damages
20 ~~((i))~~ (1) accrued and unpaid rent as of the date of the commencement
21 of the term of the new lease agreement, ~~((ii))~~ (2) the present value,
22 as of the same date, of the total rent for the then remaining lease
23 term of the original lease agreement minus the present value, as of the
24 same date, of the rent under the new lease agreement applicable to that
25 period of the new lease term which is comparable to the then remaining
26 term of the original lease agreement, and ~~((iii))~~ (3) any incidental
27 damages allowed under RCW 62A.2A-530, less expenses saved in
28 consequence of the lessee's default.

29 ~~((3))~~ (c) If the lessor's disposition is by lease agreement that
30 for any reason does not qualify for treatment under subsection ~~((2))~~
31 (b) of this section, or is by sale or otherwise, the lessor may recover
32 from the lessee as if the lessor had elected not to dispose of the
33 goods and RCW 62A.2A-528 governs.

34 ~~((4))~~ (d) A subsequent buyer or lessee who buys or leases from
35 the lessor in good faith for value as a result of a disposition under
36 this section takes the goods free of the original lease contract and

1 any rights of the original lessee even though the lessor fails to
2 comply with one or more of the requirements of this article.

3 ~~((+5+))~~ (e) The lessor is not accountable to the lessee for any
4 profit made on any disposition. A lessee who has rightfully rejected
5 or justifiably revoked acceptance shall account to the lessor for any
6 excess over the amount of the lessee's security interest (RCW 62A.2A-
7 508~~((+5+))~~)).

8 **Sec. 909.** RCW 62A.2A-528 and 1993 c 230 s 2A-528 are each amended
9 to read as follows:

10 LESSOR'S DAMAGES FOR NONACCEPTANCE, FAILURE TO PAY, REPUDIATION, OR
11 OTHER DEFAULT. ~~((+1+))~~ (a) Except as otherwise provided with respect
12 to damages liquidated in the lease agreement (RCW 62A.2A-504) or
13 otherwise determined pursuant to agreement of the parties ~~((+RCW 62A.1-~~
14 ~~102(3+))~~ (RCW 62A.1-302 and 62A.2A-503), if a lessor elects to retain
15 the goods or a lessor elects to dispose of the goods and the
16 disposition is by lease agreement that for any reason does not qualify
17 for treatment under RCW 62A.2A-527~~((+2+))~~ (b), or is by sale or
18 otherwise, the lessor may recover from the lessee as damages for a
19 default of the type described in RCW 62A.2A-523 (1) or (3)(a), or, if
20 agreed, for other default of the lessee, ~~((+i+))~~ (1) accrued and unpaid
21 rent as of the date of default if the lessee has never taken possession
22 of the goods, or, if the lessee has taken possession of the goods, as
23 of the date the lessor repossesses the goods or an earlier date on
24 which the lessee makes a tender of the goods to the lessor, ~~((+ii+))~~
25 (2) the present value as of the date determined under (1) of this
26 subsection ~~((+1)(i) of this section)~~ of the total rent for the then
27 remaining lease term of the original lease agreement minus the present
28 value as of the same date of the market rent at the place where the
29 goods are located computed for the same lease term, and ~~((+iii+))~~ (3)
30 any incidental damages allowed under RCW 62A.2A-530, less expenses
31 saved in consequence of the lessee's default.

32 ~~((+2+))~~ (b) If the measure of damages provided in subsection
33 ~~((+1+))~~ (a) of this section is inadequate to put a lessor in as good a
34 position as performance would have, the measure of damages is the
35 present value of the profit, including reasonable overhead, the lessor
36 would have made from full performance by the lessee, together with any

1 incidental damages allowed under RCW 62A.2A-530, due allowance for
2 costs reasonably incurred and due credit for payments or proceeds of
3 disposition.

4 **PART X**

5 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 3**

6 **Sec. 1001.** RCW 62A.3-103 and 1993 c 229 s 5 are each amended to
7 read as follows:

8 DEFINITIONS. (a) In this article:

9 (1) "Acceptor" means a drawee who has accepted a draft.

10 (2) "Drawee" means a person ordered in a draft to make payment.

11 (3) "Drawer" means a person who signs or is identified in a draft
12 as a person ordering payment.

13 (4) (~~"Good faith" means honesty in fact and the observance of~~
14 ~~reasonable commercial standards of fair dealing.~~) [Reserved.]

15 (5) "Maker" means a person who signs or is identified in a note as
16 a person undertaking to pay.

17 (6) "Order" means a written instruction to pay money signed by the
18 person giving the instruction. The instruction may be addressed to any
19 person, including the person giving the instruction, or to one or more
20 persons jointly or in the alternative but not in succession. An
21 authorization to pay is not an order unless the person authorized to
22 pay is also instructed to pay.

23 (7) "Ordinary care" in the case of a person engaged in business
24 means observance of reasonable commercial standards, prevailing in the
25 area in which the person is located, with respect to the business in
26 which the person is engaged. In the case of a bank that takes an
27 instrument for processing for collection or payment by automated means,
28 reasonable commercial standards do not require the bank to examine the
29 instrument if the failure to examine does not violate the bank's
30 prescribed procedures and the bank's procedures do not vary
31 unreasonably from general banking usage not disapproved by this article
32 or Article 4.

33 (8) "Party" means a party to an instrument.

34 (9) "Promise" means a written undertaking to pay money signed by
35 the person undertaking to pay. An acknowledgment of an obligation by

1 the obligor is not a promise unless the obligor also undertakes to pay
2 the obligation.

3 (10) "Prove" with respect to a fact means to meet the burden of
4 establishing the fact (RCW 62A.1-201(b)(8)).

5 (11) "Remitter" means a person who purchases an instrument from its
6 issuer if the instrument is payable to an identified person other than
7 the purchaser.

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

10

11	"Acceptance"	RCW 62A.3-409
12	"Accommodated party"	RCW 62A.3-419
13	"Accommodation party"	RCW 62A.3-419
14	"Alteration"	RCW 62A.3-407
15	"Anomalous indorsement"	RCW 62A.3-205
16	"Blank indorsement"	RCW 62A.3-205
17	"Cashier's check"	RCW 62A.3-104
18	"Certificate of deposit"	RCW 62A.3-104
19	"Certified check"	RCW 62A.3-409
20	"Check"	RCW 62A.3-104
21	"Consideration"	RCW 62A.3-303
22	"Draft"	RCW 62A.3-104
23	"Holder in due course"	RCW 62A.3-302
24	"Incomplete instrument"	RCW 62A.3-115
25	"Indorsement"	RCW 62A.3-204
26	"Indorser"	RCW 62A.3-204
27	"Instrument"	RCW 62A.3-104
28	"Issue"	RCW 62A.3-105
29	"Issuer"	RCW 62A.3-105
30	"Negotiable instrument"	RCW 62A.3-104
31	"Negotiation"	RCW 62A.3-201
32	"Note"	RCW 62A.3-104
33	"Payable at a definite time"	RCW 62A.3-108
34	"Payable on demand"	RCW 62A.3-108
35	"Payable to bearer"	RCW 62A.3-109
36	"Payable to order"	RCW 62A.3-109

1	"Payment"	RCW 62A.3-602
2	"Person entitled to enforce"	RCW 62A.3-301
3	"Presentment"	RCW 62A.3-501
4	"Reacquisition"	RCW 62A.3-207
5	"Special indorsement"	RCW 62A.3-205
6	"Teller's check"	RCW 62A.3-104
7	"Transfer of instrument"	RCW 62A.3-203
8	"Traveler's check"	RCW 62A.3-104
9	"Value"	RCW 62A.3-303

10 (c) The following definitions in other articles apply to this
 11 article:

12	("Bank"	RCW 62A.4-105)
13	"Banking day"	RCW 62A.4-104
14	"Clearing house"	RCW 62A.4-104
15	"Collecting bank"	RCW 62A.4-105
16	"Depository bank"	RCW 62A.4-105
17	"Documentary draft"	RCW 62A.4-104
18	"Intermediary bank"	RCW 62A.4-105
19	"Item"	RCW 62A.4-104
20	"Payor bank"	RCW 62A.4-105
21	"Suspends payments"	RCW 62A.4-104

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

25 **PART XI**

26 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 4**

27 **Sec. 1101.** RCW 62A.4-104 and 1995 c 48 s 56 are each amended to
 28 read as follows:

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

31 (1) "Account" means any deposit or credit account with a bank,

1 including a demand, time, savings, passbook, share draft, or like
2 account, other than an account evidenced by a certificate of deposit;

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

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

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

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

14 (6) "Documentary draft" means a draft to be presented for
15 acceptance or payment if specified documents, certificated securities
16 (RCW 62A.8-102) or instructions for uncertificated securities (RCW
17 62A.8-102), or other certificates, statements, or the like are to be
18 received by the drawee or other payor before acceptance or payment of
19 the draft;

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

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

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

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

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

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

37 (b) Other definitions applying to this article and the sections in
38 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 (c) "Control" as provided in RCW 62A.7-106 and the following
11 definitions in other articles apply to 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	"Draft"	RCW 62A.3-104.
19	("Good faith")	RCW 62A.3-103.)
20	"Holder in due course"	RCW 62A.3-302.
21	"Instrument"	RCW 62A.3-104.
22	"Notice of dishonor"	RCW 62A.3-503.
23	"Order"	RCW 62A.3-103.
24	"Ordinary care"	RCW 62A.3-103.
25	"Person entitled to enforce"	RCW 62A.3-301.
26	"Presentment"	RCW 62A.3-501.
27	"Promise"	RCW 62A.3-103.
28	"Prove"	RCW 62A.3-103.
29	"Teller's check"	RCW 62A.3-104.
30	"Unauthorized signature"	RCW 62A.3-403.

31 (d) In addition Article 1 contains general definitions and

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

3 **Sec. 1102.** 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 possession
23 or control of the accompanying documents for purposes other than
24 collection, the security interest continues to that extent and is
25 subject to Article 9A, but:

26 (1) No security agreement is necessary to make the security
27 interest enforceable (RCW 62A.9A-203(b)(3)(A));

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

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

31 PART XII

32 AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 4A

33 **Sec. 1201.** RCW 62A.4A-105 and 1991 sp.s. c 21 s 4A-105 are each
34 amended to read as follows:

35 OTHER DEFINITIONS. (~~((+))~~) (a) In this article:

1 ((+a)) (1) "Authorized account" means a deposit account of a
2 customer in a bank designated by the customer as a source of payment
3 orders issued by the customer to the bank. If a customer does not so
4 designate an account, any account of the customer is an authorized
5 account if payment of a payment order from that account is not
6 inconsistent with a restriction on the use of the account.

7 ((+b)) (2) "Bank" means a person engaged in the business of
8 banking and includes a savings bank, savings and loan association,
9 credit union, and trust company. A branch or separate office of a bank
10 is a separate bank for purposes of this article.

11 ((+c)) (3) "Customer" means a person, including a bank, having an
12 account with a bank or from whom a bank has agreed to receive payment
13 orders.

14 ((+d)) (4) "Funds-transfer business day" of a receiving bank means
15 the part of a day during which the receiving bank is open for the
16 receipt, processing, and transmittal of payment orders and
17 cancellations and amendments of payment orders.

18 ((+e)) (5) "Funds-transfer system" means a wire transfer network,
19 automated clearing house, or other communication system of a clearing
20 house or other association of banks through which a payment order by a
21 bank may be transmitted to the bank to which the order is addressed.

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

24 ~~((+g)) (6) [Reserved.]~~

25 (7) "Prove" with respect to a fact means to meet the burden of
26 establishing the fact (RCW 62A.1-201(b)(8)).

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

29	"Acceptance"	RCW 62A.4A-209
30	"Beneficiary"	RCW 62A.4A-103
31	"Beneficiary's bank"	RCW 62A.4A-103
32	"Executed"	RCW 62A.4A-301
33	"Execution date"	RCW 62A.4A-301
34	"Funds transfer"	RCW 62A.4A-104
35	"Funds-transfer system rule"	RCW 62A.4A-501
36	"Intermediary bank"	RCW 62A.4A-104

1	"Originator"	RCW 62A.4A-104
2	"Originator's bank"	RCW 62A.4A-104
3	"Payment by beneficiary's	
4	bank to beneficiary"	RCW 62A.4A-405
5	"Payment by originator to	
6	beneficiary"	RCW 62A.4A-406
7	"Payment by sender to	
8	receiving bank"	RCW 62A.4A-403
9	"Payment date"	RCW 62A.4A-401
10	"Payment order"	RCW 62A.4A-103
11	"Receiving bank"	RCW 62A.4A-103
12	"Security procedure"	RCW 62A.4A-201
13	"Sender"	RCW 62A.4A-103

14 ((+3)) (c) The following definitions in Article 4 (RCW 62A.4-101
 15 through 62A.4-504) apply to this article:

16	"Clearing house"	((section 4-104 of this act)) <u>RCW 62A.4-104</u>
17		
18	"Item"	((section 4-104 of this act)) <u>RCW 62A.4-104</u>
19		
20	"Suspends payments"	((section 4-104 of this act)) <u>RCW 62A.4-104</u>
21		

22 ((+4)) (d) In addition ((to)) Article 1 ((~~RCW 62A.1-101 through~~
 23 ~~62A.1-208~~)) contains general definitions and principles of
 24 construction and interpretation applicable throughout this article.

25 **Sec. 1202.** RCW 62A.4A-106 and 1991 sp.s. c 21 s 4A-106 are each
 26 amended to read as follows:

27 TIME PAYMENT ORDER IS RECEIVED. ((+1)) (a) The time of receipt of
 28 a payment order or communication canceling or amending a payment order
 29 is determined by the rules applicable to receipt of a notice stated in
 30 ((~~RCW 62A.1-201(27)~~)) RCW 62A.1-202. A receiving bank may fix a cut-
 31 off time or times on a funds-transfer business day for the receipt and
 32 processing of payment orders and communications canceling or amending
 33 payment orders. Different cut-off times may apply to payment orders,

1 cancellations, or amendments, or to different categories of payment
2 orders, cancellations, or amendments. A cut-off time may apply to
3 senders generally or different cut-off times may apply to different
4 senders or categories of payment orders. If a payment order or
5 communication canceling or amending a payment order is received after
6 the close of a funds-transfer business day or after the appropriate
7 cut-off time on a funds-transfer business day, the receiving bank may
8 treat the payment order or communication as received at the opening of
9 the next funds-transfer business day.

10 ((+2)) (b) If this article refers to an execution date or payment
11 date or states a day on which a receiving bank is required to take
12 action, and the date or day does not fall on a funds-transfer business
13 day, the next day that is a funds-transfer business day is treated as
14 the date or day stated, unless the contrary is stated in this article.

15 **Sec. 1203.** RCW 62A.4A-204 and 1991 sp.s. c 21 s 4A-204 are each
16 amended to read as follows:

17 REFUND OF PAYMENT AND DUTY OF CUSTOMER TO REPORT WITH RESPECT TO
18 UNAUTHORIZED PAYMENT ORDER. ((+1)) (a) If a receiving bank accepts a
19 payment order issued in the name of its customer as sender which is
20 ((+a)) (1) not authorized and not effective as the order of the
21 customer under RCW 62A.4A-202, or ((+b)) (2) not enforceable, in whole
22 or in part, against the customer under RCW 62A.4A-203, the bank shall
23 refund any payment of the payment order received from the customer to
24 the extent the bank is not entitled to enforce payment and shall pay
25 interest on the refundable amount calculated from the date the bank
26 received payment to the date of the refund. However, the customer is
27 not entitled to interest from the bank on the amount to be refunded if
28 the customer fails to exercise ordinary care to determine that the
29 order was not authorized by the customer and to notify the bank of the
30 relevant facts within a reasonable time not exceeding ninety days after
31 the date the customer received notification from the bank that the
32 order was accepted or that the customer's account was debited with
33 respect to the order. The bank is not entitled to any recovery from
34 the customer on account of a failure by the customer to give
35 notification as stated in this section.

36 ((+2)) (b) Reasonable time under subsection ((+1)) (a) of this
37 section may be fixed by agreement as stated in ((RCW 62A.1-204(1))) RCW

1 62A.1-302(b), but the obligation of a receiving bank to refund payment
2 as stated in subsection ~~((+1))~~ (a) of this section may not otherwise
3 be varied by agreement.

4 **PART XIII**

5 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 5**

6 **Sec. 1301.** RCW 62A.5-103 and 1997 c 56 s 4 are each amended to
7 read as follows:

8 SCOPE. ~~((+1))~~ (a) This article applies to letters of credit and
9 to certain rights and obligations arising out of transactions involving
10 letters of credit.

11 ~~((+2))~~ (b) The statement of a rule in this article does not by
12 itself require, imply, or negate application of the same or a different
13 rule to a situation not provided for, or to a person not specified, in
14 this article.

15 ~~((+3))~~ (c) With the exception of this subsection, subsections
16 ~~((+1))~~ (a) and ~~((+4))~~ (d) of this section, RCW 62A.5-102(1) (i) and
17 (j), 62A.5-106(4), and 62A.5-114(4), and except to the extent
18 prohibited in ~~((RCW 62A.1-102(3)))~~ RCW 62A.1-302 and 62A.5-117(4), the
19 effect of this article may be varied by agreement or by a provision
20 stated or incorporated by reference in an undertaking. A term in an
21 agreement or undertaking generally excusing liability or generally
22 limiting remedies for failure to perform obligations is not sufficient
23 to vary obligations prescribed by this article.

24 ~~((+4))~~ (d) Rights and obligations of an issuer to a beneficiary or
25 a nominated person under a letter of credit are independent of the
26 existence, performance, or nonperformance of a contract or arrangement
27 out of which the letter of credit arises or which underlies it,
28 including contracts or arrangements between the issuer and the
29 applicant and between the applicant and the beneficiary.

30 **PART XIV**

31 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 8**

32 **Sec. 1401.** RCW 62A.8-102 and 1995 c 48 s 2 are each amended to
33 read as follows:

34 DEFINITIONS. ~~((+1))~~ (a) In this article:

1 ~~((a))~~ (1) "Adverse claim" means a claim that a claimant has a
2 property interest in a financial asset and that it is a violation of
3 the rights of the claimant for another person to hold, transfer, or
4 deal with the financial asset.

5 ~~((b))~~ (2) "Bearer form," as applied to a certificated security,
6 means a form in which the security is payable to the bearer of the
7 security certificate according to its terms but not by reason of an
8 indorsement.

9 ~~((c))~~ (3) "Broker" means a person defined as a broker or dealer
10 under the federal securities laws, but without excluding a bank acting
11 in that capacity.

12 ~~((d))~~ (4) "Certificated security" means a security that is
13 represented by a certificate.

14 ~~((e))~~ (5) "Clearing corporation" means:

15 ~~((i))~~ (A) A person that is registered as a "clearing agency"
16 under the federal securities laws;

17 ~~((ii))~~ (B) A federal reserve bank; or

18 ~~((iii))~~ (C) Any other person that provides clearance or
19 settlement services with respect to financial assets that would require
20 it to register as a clearing agency under the federal securities laws
21 but for an exclusion or exemption from the registration requirement, if
22 its activities as a clearing corporation, including adoption of rules,
23 are subject to regulation by a federal or state governmental authority.

24 ~~((f))~~ (6) "Communicate" means to:

25 ~~((i))~~ (A) Send a signed writing; or

26 ~~((ii))~~ (B) Transmit information by any mechanism agreed upon by
27 the persons transmitting and receiving the information.

28 ~~((g))~~ (7) "Entitlement holder" means a person identified in the
29 records of a securities intermediary as the person having a security
30 entitlement against the securities intermediary. If a person acquires
31 a security entitlement by virtue of RCW 62A.8-501(2) (b) or (c), that
32 person is the entitlement holder.

33 ~~((h))~~ (8) "Entitlement order" means a notification communicated
34 to a securities intermediary directing transfer or redemption of a
35 financial asset to which the entitlement holder has a security
36 entitlement.

37 ~~((i))~~ (9) "Financial asset," except as otherwise provided in RCW
38 62A.8-103, means:

1 ((+i)) (A) A security;

2 ((+ii)) (B) An obligation of a person or a share, participation,
3 or other interest in a person or in property or an enterprise of a
4 person, which is, or is of a type, dealt in or traded on financial
5 markets, or which is recognized in any area in which it is issued or
6 dealt in as a medium for investment; or

7 ((+iii)) (C) Any property that is held by a securities
8 intermediary for another person in a securities account if the
9 securities intermediary has expressly agreed with the other person that
10 the property is to be treated as a financial asset under this article.
11 As context requires, the term means either the interest itself or the
12 means by which a person's claim to it is evidenced, including a
13 certificated or uncertificated security, a security certificate, or a
14 security entitlement.

15 ~~((+j)) "Good faith," for purposes of the obligation of good faith in~~
16 ~~the performance or enforcement of contracts or duties within this~~
17 ~~Article, means honesty in fact and the observance of reasonable~~
18 ~~commercial standards of fair dealing.~~

19 (+k)) (10) [Reserved.]

20 (11) "Indorsement" means a signature that alone or accompanied by
21 other words is made on a security certificate in registered form or on
22 a separate document for the purpose of assigning, transferring, or
23 redeeming the security or granting a power to assign, transfer, or
24 redeem it.

25 ((+l)) (12) "Instruction" means a notification communicated to the
26 issuer of an uncertificated security which directs that the transfer of
27 the security be registered or that the security be redeemed.

28 ((+m)) (13) "Registered form," as applied to a certificated
29 security, means a form in which:

30 ((+i)) (A) The security certificate specifies a person entitled to
31 the security; and

32 ((+ii)) (B) A transfer of the security may be registered upon
33 books maintained for that purpose by or on behalf of the issuer, or the
34 security certificate so states.

35 ((+n)) (14) "Securities intermediary" means:

36 ((+i)) (A) A clearing corporation; or

37 ((+ii)) (B) A person, including a bank or broker, that in the

1 ordinary course of its business maintains securities accounts for
2 others and is acting in that capacity.

3 ~~((+o))~~ (15) "Security," except as otherwise provided in RCW 62A.8-
4 103, means an obligation of an issuer or a share, participation, or
5 other interest in an issuer or in property or an enterprise of an
6 issuer:

7 ~~((+i))~~ (A) Which is represented by a security certificate in
8 bearer or registered form, or the transfer of which may be registered
9 upon books maintained for that purpose by or on behalf of the issuer;

10 ~~((+ii))~~ (B) Which is one of a class or series or by its terms is
11 divisible into a class or series of shares, participations, interests,
12 or obligations; and

13 ~~((+iii))~~ (C) Which:

14 ~~((+A))~~ (i) Is, or is of a type, dealt in or traded on securities
15 exchanges or securities markets; or

16 ~~((+B))~~ (ii) Is a medium for investment and by its terms expressly
17 provides that it is a security governed by this article.

18 ~~((+p))~~ (16) "Security certificate" means a certificate
19 representing a security.

20 ~~((+q))~~ (17) "Security entitlement" means the rights and property
21 interest of an entitlement holder with respect to a financial asset
22 specified in Part 5 of this article.

23 ~~((+r))~~ (18) "Uncertificated security" means a security that is not
24 represented by a certificate.

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

27	Appropriate person	RCW 62A.8-107
28	Control	RCW 62A.8-106
29	Delivery	RCW 62A.8-301
30	Investment company	RCW 62A.8-103
31	security	
32	Issuer	RCW 62A.8-201
33	Overissue	RCW 62A.8-210
34	Protected purchaser	RCW 62A.8-303
35	Securities account	RCW 62A.8-501

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

4 ~~((4))~~ (d) The characterization of a person, business, or
5 transaction for purposes of this article does not determine the
6 characterization of the person, business, or transaction for purposes
7 of any other law, regulation, or rule.

8 **Sec. 1402.** RCW 62A.8-103 and 2000 c 250 s 9A-815 are each amended
9 to read as follows:

10 RULES FOR DETERMINING WHETHER CERTAIN OBLIGATIONS AND INTERESTS ARE
11 SECURITIES OR FINANCIAL ASSETS. ~~((1))~~ (a) A share or similar equity
12 interest issued by a corporation, business trust, joint stock company,
13 or similar entity is a security.

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

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

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

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

36 ~~((6))~~ (f) A commodity contract, as defined in RCW
37 62A.9A-102(a)(15), is not a security or a financial asset.

1 (g) A document of title is not a financial asset unless RCW 62A.8-
2 102(a)(9)(C) applies.

3 **Sec. 1403.** RCW 62A.8-103 and 2011 c 74 s 706 are each amended to
4 read as follows:

5 RULES FOR DETERMINING WHETHER CERTAIN OBLIGATIONS AND INTERESTS ARE
6 SECURITIES OR FINANCIAL ASSETS. ~~((+1+))~~ (a) A share or similar equity
7 interest issued by a corporation, business trust, joint stock company,
8 or similar entity is a security.

9 ~~((+2+))~~ (b) An "investment company security" is a security.
10 "Investment company security" means a share or similar equity interest
11 issued by an entity that is registered as an investment company under
12 the federal investment company laws, an interest in a unit investment
13 trust that is so registered, or a face-amount certificate issued by a
14 face-amount certificate company that is so registered. Investment
15 company security does not include an insurance policy or endowment
16 policy or annuity contract issued by an insurance company.

17 ~~((+3+))~~ (c) An interest in a partnership or limited liability
18 company is not a security unless it is dealt in or traded on securities
19 exchanges or in securities markets, its terms expressly provide that it
20 is a security governed by this article, or it is an investment company
21 security. However, an interest in a partnership or limited liability
22 company is a financial asset if it is held in a securities account.

23 ~~((+4+))~~ (d) A writing that is a security certificate is governed by
24 this article and not by Article 3, even though it also meets the
25 requirements of that article. However, a negotiable instrument
26 governed by Article 3 is a financial asset if it is held in a
27 securities account.

28 ~~((+5+))~~ (e) An option or similar obligation issued by a clearing
29 corporation to its participants is not a security, but is a financial
30 asset.

31 ~~((+6+))~~ (f) A commodity contract, as defined in RCW 62A.9A-102, is
32 not a security or a financial asset.

33 (g) A document of title is not a financial asset unless RCW 62A.8-
34 102(a)(9)(C) applies.

35 **PART XV**

1 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 9A**

2 **Sec. 1501.** RCW 62A.9A-102 and 2001 c 32 s 16 are each amended to
3 read as follows:

4 DEFINITIONS AND INDEX OF DEFINITIONS. (a) **Article 9A definitions.**
5 In this article:

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

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

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

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

34 (A) Authenticated by a secured party;

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

1 (C) Identifying the components of the obligations in reasonable
2 detail.

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (7) "Authenticate" means:

28 (A) To sign; or

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

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

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

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

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

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

24 (A) Proceeds to which a security interest attaches;

25 (B) Accounts, chattel paper, payment intangibles, and promissory
26 notes that have been sold; and

27 (C) Goods that are the subject of a consignment.

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

30 (A) The claimant is an organization; or

31 (B) The claimant is an individual, and the claim:

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

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

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

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

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

7 (B) Traded on a foreign commodity board of trade, exchange, or
8 market, and is carried on the books of a commodity intermediary for a
9 commodity customer.

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

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

13 (A) Is registered as a futures commission merchant under federal
14 commodities law; or

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

18 (18) "Communicate" means:

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

20 (B) To transmit a record by any means agreed upon by the persons
21 sending and receiving the record; or

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

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

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

30 (A) The merchant:

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

33 (ii) Is not an auctioneer; and

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

36 (B) With respect to each delivery, the aggregate value of the goods
37 is one thousand dollars or more at the time of delivery;

1 (C) The goods are not consumer goods immediately before delivery;
2 and

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

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

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

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

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

12 (A) An individual incurs a consumer obligation; and

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

14 (25) "Consumer obligation" means an obligation which:

15 (A) Is incurred as part of a transaction entered into primarily for
16 personal, family, or household purposes; and

17 (B) Arises from an extension of credit, or commitment to extend
18 credit, in an aggregate amount not exceeding forty thousand dollars, or
19 is secured by personal property used or expected to be used as a
20 principal dwelling.

21 "Consumer obligor" means an obligor who is an individual and who
22 incurred a consumer obligation.

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

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

30 (A) Identifies, by its file number, the initial financing statement
31 to which it relates; and

32 (B) Indicates that it is a continuation statement for, or that it
33 is filed to continue the effectiveness of, the identified financing
34 statement.

35 (28) "Debtor" means:

36 (A) A person having an interest, other than a security interest or
37 other lien, in the collateral, whether or not the person is an obligor;

1 (B) A seller of accounts, chattel paper, payment intangibles, or
2 promissory notes; or
3 (C) A consignee.

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

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

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

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

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

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

20 (A) Crops grown, growing, or to be grown, including:
21 (i) Crops produced on trees, vines, and bushes; and
22 (ii) Aquatic goods produced in aquacultural operations;
23 (B) Livestock, born or unborn, including aquatic goods produced in
24 aquacultural operations;
25 (C) Supplies used or produced in a farming operation; or
26 (D) Products of crops or livestock in their unmanufactured states.

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

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

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

34 (38) "Filing-office rule" means a rule adopted pursuant to RCW
35 62A.9A-526.

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

1 (40) "Fixture filing" means the filing of a financing statement
2 covering goods that are or are to become fixtures and satisfying RCW
3 62A.9A-502 (a) and (b). The term includes the filing of a financing
4 statement covering goods of a transmitting utility which are or are to
5 become fixtures.

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

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

15 (43) (~~"Good faith" means honesty in fact and the observance of~~
16 ~~reasonable commercial standards of fair dealing.~~) [Reserved.]

17 (44) "Goods" means all things that are movable when a security
18 interest attaches. The term includes ((+A+)) (i) fixtures, ((+B+))
19 (ii) standing timber that is to be cut and removed under a conveyance
20 or contract for sale, ((+C+)) (iii) the unborn young of animals,
21 ((+D+)) (iv) crops grown, growing, or to be grown, even if the crops
22 are produced on trees, vines, or bushes, and ((+E+)) (v) manufactured
23 homes. The term also includes a computer program embedded in goods and
24 any supporting information provided in connection with a transaction
25 relating to the program if (i) the program is associated with the goods
26 in such a manner that it customarily is considered part of the goods,
27 or (ii) by becoming the owner of the goods, a person acquires a right
28 to use the program in connection with the goods. The term does not
29 include a computer program embedded in goods that consist solely of the
30 medium in which the program is embedded. The term also does not
31 include accounts, chattel paper, commercial tort claims, deposit
32 accounts, documents, general intangibles, instruments, investment
33 property, letter-of-credit rights, letters of credit, money, or oil,
34 gas, or other minerals before extraction or a manufactured home
35 converted to real property under chapter 65.20 RCW.

36 (45) "Governmental unit" means a subdivision, agency, department,
37 county, parish, municipality, or other unit of the government of the
38 United States, a state, or a foreign country. The term includes an

1 organization having a separate corporate existence if the organization
2 is eligible to issue debt on which interest is exempt from income
3 taxation under the laws of the United States.

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

7 (47) "Instrument" means a negotiable instrument or any other
8 writing that evidences a right to the payment of a monetary obligation,
9 is not itself a security agreement or lease, and is of a type that in
10 ordinary course of business is transferred by delivery with any
11 necessary indorsement or assignment. The term does not include ((+A+))
12 (i) investment property, ((+B+)) (ii) letters of credit, ((+C+)) (iii)
13 writings that evidence a right to payment arising out of the use of a
14 credit or charge card or information contained on or for use with the
15 card, ((+D+)) (iv) writings that do not contain a promise or order to
16 pay, or ((+E+)) (v) writings that are expressly nontransferable or
17 nonassignable.

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

19 (A) Are leased by a person as lessor;

20 (B) Are held by a person for sale or lease or to be furnished under
21 a contract of service;

22 (C) Are furnished by a person under a contract of service; or

23 (D) Consist of raw materials, work in process, or materials used or
24 consumed in a business.

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

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

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

36 (52) "Lien creditor" means:

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

1 (B) An assignee for benefit of creditors from the time of
2 assignment;

3 (C) A trustee in bankruptcy from the date of the filing of the
4 petition; or

5 (D) A receiver in equity from the time of appointment.

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

8 (54) [Reserved]

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

12 (56) "New debtor" means a person that becomes bound as debtor under
13 RCW 62A.9A-203(d) by a security agreement previously entered into by
14 another person.

15 (57) "New value" means ~~((A))~~ (i) money, ~~((B))~~ (ii) money's
16 worth in property, services, or new credit, or ~~((C))~~ (iii) release by
17 a transferee of an interest in property previously transferred to the
18 transferee. The term does not include an obligation substituted for
19 another obligation.

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

21 (59) "Obligor" means a person that, with respect to an obligation
22 secured by a security interest in or an agricultural lien on the
23 collateral, ~~((A))~~ (i) owes payment or other performance of the
24 obligation, ~~((B))~~ (ii) has provided property other than the
25 collateral to secure payment or other performance of the obligation, or
26 ~~((C))~~ (iii) is otherwise accountable in whole or in part for payment
27 or other performance of the obligation. The term does not include
28 issuers or nominated persons under a letter of credit.

29 (60) "Original debtor", except as used in RCW 62A.9A-310(c), means
30 a person that, as debtor, entered into a security agreement to which a
31 new debtor has become bound under RCW 62A.9A-203(d).

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

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

35 (A) The spouse of the individual;

36 (B) A brother, brother-in-law, sister, or sister-in-law of the
37 individual;

1 (C) An ancestor or lineal descendant of the individual or the
2 individual's spouse; or

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

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

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

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

10 (C) An officer or director of, or a person performing similar
11 functions with respect to, a person described in (63)(A) of this
12 subsection;

13 (D) The spouse of an individual described in (63)(A), (B), or (C)
14 of this subsection; or

15 (E) An individual who is related by blood or marriage to an
16 individual described in (63)(A), (B), (C), or (D) of this subsection
17 and shares the same home with the individual.

18 (64) "Proceeds", except as used in RCW 62A.9A-609(b), means the
19 following property:

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

22 (B) Whatever is collected on, or distributed on account of,
23 collateral;

24 (C) Rights arising out of collateral;

25 (D) To the extent of the value of collateral, claims arising out of
26 the loss, nonconformity, or interference with the use of, defects or
27 infringement of rights in, or damage to, the collateral; or

28 (E) To the extent of the value of collateral and to the extent
29 payable to the debtor or the secured party, insurance payable by reason
30 of the loss or nonconformity of, defects or infringement of rights in,
31 or damage to, the collateral.

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

36 (66) "Proposal" means a record authenticated by a secured party,
37 which includes the terms on which the secured party is willing to

1 accept collateral in full or partial satisfaction of the obligation it
2 secures pursuant to RCW 62A.9A-620, 62A.9A-621, and 62A.9A-622.

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

5 (A) Debt securities are issued;

6 (B) All or a portion of the securities issued have an initial
7 stated maturity of at least twenty years; and

8 (C) The debtor, obligor, secured party, account debtor or other
9 person obligated on collateral, assignor or assignee of a secured
10 obligation, or assignor or assignee of a security interest is a state
11 or a governmental unit of a state.

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

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

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

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

26 (A) The obligor's obligation is secondary; or

27 (B) The obligor has a right of recourse with respect to an
28 obligation secured by collateral against the debtor, another obligor,
29 or property of either.

30 (72) "Secured party" means:

31 (A) A person in whose favor a security interest is created or
32 provided for under a security agreement, whether or not any obligation
33 to be secured is outstanding;

34 (B) A person that holds an agricultural lien;

35 (C) A consignor;

36 (D) A person to which accounts, chattel paper, payment intangibles,
37 or promissory notes have been sold;

1 (E) A trustee, indenture trustee, agent, collateral agent, or other
2 representative in whose favor a security interest or agricultural lien
3 is created or provided for; or

4 (F) A person that holds a security interest arising under RCW
5 62A.2-401, 62A.2-505, 62A.2-711(3), 62A.2A-508(5), 62A.4-210, or 62A.5-
6 118.

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

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

10 (A) To deposit in the mail, deliver for transmission, or transmit
11 by any other usual means of communication, with postage or cost of
12 transmission provided for, addressed to any address reasonable under
13 the circumstances; or

14 (B) To cause the record or notification to be received within the
15 time that it would have been received if properly sent under (A) of
16 this subsection.

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

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

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

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

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

34 (A) Identifies, by its file number, the initial financing statement
35 to which it relates; and

36 (B) Indicates either that it is a termination statement or that the
37 identified financing statement is no longer effective.

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

- 3 (A) Operating a railroad, subway, street railway, or trolley bus;
- 4 (B) Transmitting communications electrically, electromagnetically,
5 or by light;
- 6 (C) Transmitting goods by pipeline or sewer; or
- 7 (D) Transmitting or producing and transmitting electricity, steam,
8 gas, or water.

9 (b) **Definitions in other articles.** "Control" as provided in RCW
10 62A.7-106 and the following definitions in other articles apply to this
11 article:

12	"Applicant."	RCW 62A.5-102.
13	"Beneficiary."	RCW 62A.5-102.
14	"Broker."	RCW 62A.8-102.
15	"Certificated security."	RCW 62A.8-102.
16	"Check."	RCW 62A.3-104.
17	"Clearing corporation."	RCW 62A.8-102.
18	"Contract for sale."	RCW 62A.2-106.
19	"Customer."	RCW 62A.4-104.
20	"Entitlement holder."	RCW 62A.8-102.
21	"Financial asset."	RCW 62A.8-102.
22	"Holder in due course."	RCW 62A.3-302.
23	<u>"Issuer" with respect to</u>	
24	<u>documents of title.</u>	<u>RCW 62A.7-102.</u>
25	"Issuer" with respect to a	
26	letter of credit or letter-	
27	of-credit right.	RCW 62A.5-102.
28	"Issuer" with respect to a	
29	security.	RCW 62A.8-201.
30	"Lease."	RCW 62A.2A-103.
31	"Lease agreement."	RCW 62A.2A-103.
32	"Lease contract."	RCW 62A.2A-103.
33	"Leasehold interest."	RCW 62A.2A-103.
34	"Lessee."	RCW 62A.2A-103.
35	"Lessee in ordinary course	
36	of business."	RCW 62A.2A-103.

1	"Lessor."	RCW 62A.2A-103.
2	"Lessor's residual interest."	RCW 62A.2A-103.
3	"Letter of credit."	RCW 62A.5-102.
4	"Merchant."	RCW 62A.2-104.
5	"Negotiable instrument."	RCW 62A.3-104.
6	"Nominated person."	RCW 62A.5-102.
7	"Note."	RCW 62A.3-104.
8	"Proceeds of a letter of	
9	credit."	RCW 62A.5-114.
10	"Prove."	RCW 62A.3-103.
11	"Sale."	RCW 62A.2-106.
12	"Securities account."	RCW 62A.8-501.
13	"Securities intermediary."	RCW 62A.8-102.
14	"Security."	RCW 62A.8-102.
15	"Security certificate."	RCW 62A.8-102.
16	"Security entitlement."	RCW 62A.8-102.
17	"Uncertificated security."	RCW 62A.8-102.

18 (c) **Article 1 definitions and principles.** Article 1 contains
19 general definitions and principles of construction and interpretation
20 applicable throughout this article.

21 **Sec. 1502.** RCW 62A.9A-102 and 2011 c 74 s 101 are each amended to
22 read as follows:

23 DEFINITIONS AND INDEX OF DEFINITIONS. (a) **Article 9A definitions.**

24 In this article:

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

28 (2)(A) "Account," except as used in "account for," means a right to
29 payment of a monetary obligation, whether or not earned by performance,
30 (i) for property that has been or is to be sold, leased, licensed,
31 assigned, or otherwise disposed of, (ii) for services rendered or to be
32 rendered, (iii) for a policy of insurance issued or to be issued, (iv)
33 for a secondary obligation incurred or to be incurred, (v) for energy
34 provided or to be provided, (vi) for the use or hire of a vessel under
35 a charter or other contract, (vii) arising out of the use of a credit
36 or charge card or information contained on or for use with the card, or

1 (viii) as winnings in a lottery or other game of chance operated or
2 sponsored by a state, governmental unit of a state, or person licensed
3 or authorized to operate the game by a state or governmental unit of a
4 state. The term includes health-care-insurance receivables.

5 (B) The term does not include (i) rights to payment evidenced by
6 chattel paper or an instrument, (ii) commercial tort claims, (iii)
7 deposit accounts, (iv) investment property, (v) letter-of-credit rights
8 or letters of credit, or (vi) rights to payment for money or funds
9 advanced or sold, other than rights arising out of the use of a credit
10 or charge card or information contained on or for use with the card.

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

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

17 (A) Authenticated by a secured party;

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

21 (C) Identifying the components of the obligations in reasonable
22 detail.

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (7) "Authenticate" means:

10 (A) To sign; or

11 (B) With present intent to adopt or accept a record, to attach to
12 or logically associate with the record an electronic sound, symbol, or
13 process.

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

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

19 (10) "Certificate of title" means a certificate of title with
20 respect to which a statute provides for the security interest in
21 question to be indicated on the certificate as a condition or result of
22 the security interest's obtaining priority over the rights of a lien
23 creditor with respect to the collateral. The term includes another
24 record maintained as an alternative to a certificate of title by the
25 governmental unit that issues certificates of title if a statute
26 permits the security interest in question to be indicated on the record
27 as a condition or result of the security interest's obtaining priority
28 over the rights of a lien creditor with respect to the collateral.

29 (11) "Chattel paper" means a record or records that evidence both
30 a monetary obligation and a security interest in specific goods, a
31 security interest in specific goods and software used in the goods, a
32 security interest in specific goods and license of software used in the
33 goods, a lease of specific goods, or a lease of specific goods and
34 license of software used in the goods. In this subsection, "monetary
35 obligation" means a monetary obligation secured by the goods or owed
36 under a lease of the goods and includes a monetary obligation with
37 respect to software used in the goods. The term "chattel paper" does
38 not include ((+A)) (i) charters or other contracts involving the use

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

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

9 (A) Proceeds to which a security interest attaches;

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

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

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

15 (A) The claimant is an organization; or

16 (B) The claimant is an individual, and the claim:

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

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

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

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

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

30 (B) Traded on a foreign commodity board of trade, exchange, or
31 market, and is carried on the books of a commodity intermediary for a
32 commodity customer.

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

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

36 (A) Is registered as a futures commission merchant under federal
37 commodities law; or

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

4 (18) "Communicate" means:

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

6 (B) To transmit a record by any means agreed upon by the persons
7 sending and receiving the record; or

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

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

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

16 (A) The merchant:

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

19 (ii) Is not an auctioneer; and

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

22 (B) With respect to each delivery, the aggregate value of the goods
23 is one thousand dollars or more at the time of delivery;

24 (C) The goods are not consumer goods immediately before delivery;
25 and

26 (D) The transaction does not create a security interest that
27 secures an obligation.

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

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

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

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

35 (A) An individual incurs a consumer obligation; and

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

37 (25) "Consumer obligation" means an obligation which:

1 (A) Is incurred as part of a transaction entered into primarily for
2 personal, family, or household purposes; and

3 (B) Arises from an extension of credit, or commitment to extend
4 credit, in an aggregate amount not exceeding forty thousand dollars, or
5 is secured by personal property used or expected to be used as a
6 principal dwelling.

7 "Consumer obligor" means an obligor who is an individual and who
8 incurred a consumer obligation.

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

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

16 (A) Identifies, by its file number, the initial financing statement
17 to which it relates; and

18 (B) Indicates that it is a continuation statement for, or that it
19 is filed to continue the effectiveness of, the identified financing
20 statement.

21 (28) "Debtor" means:

22 (A) A person having an interest, other than a security interest or
23 other lien, in the collateral, whether or not the person is an obligor;

24 (B) A seller of accounts, chattel paper, payment intangibles, or
25 promissory notes; or

26 (C) A consignee.

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

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

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

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

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

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

6 (A) Crops grown, growing, or to be grown, including:

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

8 (ii) Aquatic goods produced in aquacultural operations;

9 (B) Livestock, born or unborn, including aquatic goods produced in
10 aquacultural operations;

11 (C) Supplies used or produced in a farming operation; or

12 (D) Products of crops or livestock in their unmanufactured states.

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

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

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

20 (38) "Filing-office rule" means a rule adopted pursuant to RCW
21 62A.9A-526.

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

25 (40) "Fixture filing" means the filing of a financing statement
26 covering goods that are or are to become fixtures and satisfying RCW
27 62A.9A-502 (a) and (b). The term includes the filing of a financing
28 statement covering goods of a transmitting utility which are or are to
29 become fixtures.

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

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

1 (43) (~~"Good faith" means honesty in fact and the observance of~~
2 ~~reasonable commercial standards of fair dealing.~~) [Reserved.]

3 (44) "Goods" means all things that are movable when a security
4 interest attaches. The term includes ~~((A))~~ (i) fixtures, ~~((B))~~
5 (ii) standing timber that is to be cut and removed under a conveyance
6 or contract for sale, ~~((C))~~ (iii) the unborn young of animals,
7 ~~((D))~~ (iv) crops grown, growing, or to be grown, even if the crops
8 are produced on trees, vines, or bushes, and ~~((E))~~ (v) manufactured
9 homes. The term also includes a computer program embedded in goods and
10 any supporting information provided in connection with a transaction
11 relating to the program if (i) the program is associated with the goods
12 in such a manner that it customarily is considered part of the goods,
13 or (ii) by becoming the owner of the goods, a person acquires a right
14 to use the program in connection with the goods. The term does not
15 include a computer program embedded in goods that consist solely of the
16 medium in which the program is embedded. The term also does not
17 include accounts, chattel paper, commercial tort claims, deposit
18 accounts, documents, general intangibles, instruments, investment
19 property, letter-of-credit rights, letters of credit, money, or oil,
20 gas, or other minerals before extraction or a manufactured home
21 converted to real property under chapter 65.20 RCW.

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

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

31 (47) "Instrument" means a negotiable instrument or any other
32 writing that evidences a right to the payment of a monetary obligation,
33 is not itself a security agreement or lease, and is of a type that in
34 ordinary course of business is transferred by delivery with any
35 necessary indorsement or assignment. The term does not include ~~((A))~~
36 (i) investment property, ~~((B))~~ (ii) letters of credit, ~~((C))~~ (iii)
37 writings that evidence a right to payment arising out of the use of a
38 credit or charge card or information contained on or for use with the

1 card, (~~(D)~~) (iv) writings that do not contain a promise or order to
2 pay, or (~~(E)~~) (v) writings that are expressly nontransferable or
3 nonassignable.

4 (48) "Inventory" means goods, other than farm products, which:
5 (A) Are leased by a person as lessor;
6 (B) Are held by a person for sale or lease or to be furnished under
7 a contract of service;
8 (C) Are furnished by a person under a contract of service; or
9 (D) Consist of raw materials, work in process, or materials used or
10 consumed in a business.

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

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

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

22 (52) "Lien creditor" means:
23 (A) A creditor that has acquired a lien on the property involved by
24 attachment, levy, or the like;
25 (B) An assignee for benefit of creditors from the time of
26 assignment;
27 (C) A trustee in bankruptcy from the date of the filing of the
28 petition; or
29 (D) A receiver in equity from the time of appointment.

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

32 (54) [Reserved]

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

36 (56) "New debtor" means a person that becomes bound as debtor under
37 RCW 62A.9A-203(d) by a security agreement previously entered into by
38 another person.

1 (57) "New value" means (~~(A)~~) (i) money, (~~(B)~~) (ii) money's
2 worth in property, services, or new credit, or (~~(C)~~) (iii) release by
3 a transferee of an interest in property previously transferred to the
4 transferee. The term does not include an obligation substituted for
5 another obligation.

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

7 (59) "Obligor" means a person that, with respect to an obligation
8 secured by a security interest in or an agricultural lien on the
9 collateral, (~~(A)~~) (i) owes payment or other performance of the
10 obligation, (~~(B)~~) (ii) has provided property other than the
11 collateral to secure payment or other performance of the obligation, or
12 (~~(C)~~) (iii) is otherwise accountable in whole or in part for payment
13 or other performance of the obligation. The term does not include
14 issuers or nominated persons under a letter of credit.

15 (60) "Original debtor", except as used in RCW 62A.9A-310(c), means
16 a person that, as debtor, entered into a security agreement to which a
17 new debtor has become bound under RCW 62A.9A-203(d).

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

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

21 (A) The spouse or state registered domestic partner of the
22 individual;

23 (B) A brother, brother-in-law, sister, or sister-in-law of the
24 individual;

25 (C) An ancestor or lineal descendant of the individual or the
26 individual's spouse or state registered domestic partner; or

27 (D) Any other relative, by blood or by marriage or other law, of
28 the individual or the individual's spouse or state registered domestic
29 partner who shares the same home with the individual.

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

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

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

35 (C) An officer or director of, or a person performing similar
36 functions with respect to, a person described in (63)(A) of this
37 subsection;

1 (D) The spouse or state registered domestic partner of an
2 individual described in (63)(A), (B), or (C) of this subsection; or

3 (E) An individual who is related by blood or by marriage or other
4 law to an individual described in (63)(A), (B), (C), or (D) of this
5 subsection and shares the same home with the individual.

6 (64) "Proceeds", except as used in RCW 62A.9A-609(b), means the
7 following property:

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

10 (B) Whatever is collected on, or distributed on account of,
11 collateral;

12 (C) Rights arising out of collateral;

13 (D) To the extent of the value of collateral, claims arising out of
14 the loss, nonconformity, or interference with the use of, defects or
15 infringement of rights in, or damage to, the collateral; or

16 (E) To the extent of the value of collateral and to the extent
17 payable to the debtor or the secured party, insurance payable by reason
18 of the loss or nonconformity of, defects or infringement of rights in,
19 or damage to, the collateral.

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

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

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

30 (A) Debt securities are issued;

31 (B) All or a portion of the securities issued have an initial
32 stated maturity of at least twenty years; and

33 (C) The debtor, obligor, secured party, account debtor or other
34 person obligated on collateral, assignor or assignee of a secured
35 obligation, or assignor or assignee of a security interest is a state
36 or a governmental unit of a state.

37 (68) "Public organic record" means a record that is available to
38 the public for inspection and is:

1 (A) A record consisting of the record initially filed with or
2 issued by a state or the United States to form or organize an
3 organization and any record filed with or issued by the state or the
4 United States which amends or restates the initial record;

5 (B) An organic record of a business trust consisting of the record
6 initially filed with a state and any record filed with the state which
7 amends or restates the initial record, if a statute of the state
8 governing business trusts requires that the record be filed with the
9 state; or

10 (C) A record consisting of legislation enacted by the legislature
11 of a state or the congress of the United States which forms or
12 organizes an organization, any record amending the legislation, and any
13 record filed with or issued by the state or the United States which
14 amends or restates the name of the organization.

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

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

24 (71) "Registered organization" means an organization formed or
25 organized solely under the law of a single state or the United States
26 by the filing of a public organic record with, the issuance of a public
27 organic record by, or the enactment of legislation by the state or the
28 United States. The term includes a business trust that is formed or
29 organized under the law of a single state if a statute of the state
30 governing business trusts requires that the business trust's organic
31 record be filed with the state.

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

33 (A) The obligor's obligation is secondary; or

34 (B) The obligor has a right of recourse with respect to an
35 obligation secured by collateral against the debtor, another obligor,
36 or property of either.

37 (73) "Secured party" means:

1 (A) A person in whose favor a security interest is created or
2 provided for under a security agreement, whether or not any obligation
3 to be secured is outstanding;

4 (B) A person that holds an agricultural lien;

5 (C) A consignor;

6 (D) A person to which accounts, chattel paper, payment intangibles,
7 or promissory notes have been sold;

8 (E) A trustee, indenture trustee, agent, collateral agent, or other
9 representative in whose favor a security interest or agricultural lien
10 is created or provided for; or

11 (F) A person that holds a security interest arising under RCW
12 62A.2-401, 62A.2-505, 62A.2-711(3), 62A.2A-508(5), 62A.4-210, or 62A.5-
13 118.

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

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

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

21 (B) To cause the record or notification to be received within the
22 time that it would have been received if properly sent under (75)(A) of
23 this subsection.

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

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

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

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

1 (80) "Termination statement" means an amendment of a financing
2 statement which:

3 (A) Identifies, by its file number, the initial financing statement
4 to which it relates; and

5 (B) Indicates either that it is a termination statement or that the
6 identified financing statement is no longer effective.

7 (81) "Transmitting utility" means a person primarily engaged in the
8 business of:

9 (A) Operating a railroad, subway, street railway, or trolley bus;

10 (B) Transmitting communications electrically, electromagnetically,
11 or by light;

12 (C) Transmitting goods by pipeline or sewer; or

13 (D) Transmitting or producing and transmitting electricity, steam,
14 gas, or water.

15 (b) **Definitions in other articles.** "Control" as provided in RCW
16 62A.7-106 and the following definitions in other articles apply to this
17 article:

18	"Applicant."	RCW 62A.5-102.
19	"Beneficiary."	RCW 62A.5-102.
20	"Broker."	RCW 62A.8-102.
21	"Certificated security."	RCW 62A.8-102.
22	"Check."	RCW 62A.3-104.
23	"Clearing corporation."	RCW 62A.8-102.
24	"Contract for sale."	RCW 62A.2-106.
25	"Customer."	RCW 62A.4-104.
26	"Entitlement holder."	RCW 62A.8-102.
27	"Financial asset."	RCW 62A.8-102.
28	"Holder in due course."	RCW 62A.3-302.
29	<u>"Issuer" with respect to</u>	
30	<u>documents of title.</u>	<u>RCW 62A.7-102.</u>
31	"Issuer" with respect to a	
32	letter of credit or letter-	
33	of-credit right.	RCW 62A.5-102.
34	"Issuer" with respect to a	
35	security.	RCW 62A.8-201.
36	"Lease."	RCW 62A.2A-103.

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

24 (c) **Article 1 definitions and principles.** Article 1 contains
25 general definitions and principles of construction and interpretation
26 applicable throughout this article.

27 **Sec. 1503.** RCW 62A.9A-203 and 2000 c 250 s 9A-203 are each amended
28 to read as follows:

29 ATTACHMENT AND ENFORCEABILITY OF SECURITY INTEREST; PROCEEDS;
30 SUPPORTING OBLIGATIONS; FORMAL REQUISITES. (a) **Attachment.** A security
31 interest attaches to collateral when it becomes enforceable against the
32 debtor with respect to the collateral, unless an agreement expressly
33 postpones the time of attachment.

34 (b) **Enforceability.** Except as otherwise provided in subsections
35 (c) through (i) of this section, a security interest is enforceable

1 against the debtor and third parties with respect to the collateral
2 only if:

3 (1) Value has been given;

4 (2) The debtor has rights in the collateral or the power to
5 transfer rights in the collateral to a secured party; and

6 (3) One of the following conditions is met:

7 (A) The debtor has authenticated a security agreement that provides
8 a description of the collateral and, if the security interest covers
9 timber to be cut, a description of the land concerned;

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

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

16 (D) The collateral is deposit accounts, electronic chattel paper,
17 investment property, (~~(or)~~) letter-of-credit rights or electronic
18 documents, and the secured party has control under RCW 62A.7-106,
19 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107 pursuant to the
20 debtor's security agreement.

21 (c) **Other UCC provisions.** Subsection (b) of this section is
22 subject to RCW 62A.4-210 on the security interest of a collecting bank,
23 RCW 62A.5-118 on the security interest of a letter-of-credit issuer or
24 nominated person, RCW 62A.9A-110 on a security interest arising under
25 Article 2 or 2A, and RCW 62A.9A-206 on security interests in investment
26 property.

27 (d) **When person becomes bound by another person's security**
28 **agreement.** A person becomes bound as debtor by a security agreement
29 entered into by another person if, by operation of law other than this
30 article or by contract:

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

33 (2) The person becomes generally obligated for the obligations of
34 the other person, including the obligation secured under the security
35 agreement, and acquires or succeeds to all or substantially all of the
36 assets of the other person.

37 (e) **Effect of new debtor becoming bound.** If a new debtor becomes
38 bound as debtor by a security agreement entered into by another person:

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

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

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

10 (g) **Lien securing right to payment.** The attachment of a security
11 interest in a right to payment or performance secured by a security
12 interest or other lien on personal or real property is also attachment
13 of a security interest in the security interest, mortgage, or other
14 lien.

15 (h) **Security entitlement carried in securities account.** The
16 attachment of a security interest in a securities account is also
17 attachment of a security interest in the security entitlements carried
18 in the securities account.

19 (i) **Commodity contracts carried in commodity account.** The
20 attachment of a security interest in a commodity account is also
21 attachment of a security interest in the commodity contracts carried in
22 the commodity account.

23 **Sec. 1504.** RCW 62A.9A-207 and 2000 c 250 s 9A-207 are each amended
24 to read as follows:

25 RIGHTS AND DUTIES OF SECURED PARTY HAVING POSSESSION OR CONTROL OF
26 COLLATERAL. (a) **Duty of care when secured party in possession.** Except
27 as otherwise provided in subsection (d) of this section, a secured
28 party shall use reasonable care in the custody and preservation of
29 collateral in the secured party's possession. In the case of chattel
30 paper or an instrument, reasonable care includes taking necessary steps
31 to preserve rights against prior parties unless otherwise agreed.

32 (b) **Expenses, risks, duties, and rights when secured party in**
33 **possession.** Except as otherwise provided in subsection (d) of this
34 section, if a secured party has possession of collateral:

35 (1) Reasonable expenses, including the cost of insurance and
36 payment of taxes or other charges, incurred in the custody,

1 preservation, use, or operation of the collateral are chargeable to the
2 debtor and are secured by the collateral;

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

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

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

8 (A) For the purpose of preserving the collateral or its value;

9 (B) As permitted by an order of a court having competent
10 jurisdiction; or

11 (C) Except in the case of consumer goods, in the manner and to the
12 extent agreed by the debtor.

13 (c) **Duties and rights when secured party in possession or control.**

14 Except as otherwise provided in subsection (d) of this section, a
15 secured party having possession of collateral or control of collateral
16 under RCW 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107:

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

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

21 (3) May create a security interest in the collateral.

22 (d) **Buyer of certain rights to payment.** If the secured party is a
23 buyer of accounts, chattel paper, payment intangibles, or promissory
24 notes or a consignor:

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

27 (A) To charge back uncollected collateral; or

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

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

32 **Sec. 1505.** RCW 62A.9A-208 and 2001 c 32 s 21 are each amended to
33 read as follows:

34 **ADDITIONAL DUTIES OF SECURED PARTY HAVING CONTROL OF COLLATERAL.**

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

1 (b) **Duties of secured party after receiving demand from debtor.**

2 Within ten days after receiving an authenticated demand by the debtor:

3 (1) A secured party having control of a deposit account under RCW
4 62A.9A-104(a)(2) shall send to the bank with which the deposit account
5 is maintained an authenticated statement that releases the bank from
6 any further obligation to comply with instructions originated by the
7 secured party;

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

10 (A) Pay the debtor the balance on deposit in the deposit account;
11 or

12 (B) Transfer the balance on deposit into a deposit account in the
13 debtor's name;

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

16 (A) Communicate the authoritative copy of the electronic chattel
17 paper to the debtor or its designated custodian;

18 (B) If the debtor designates a custodian that is the designated
19 custodian with which the authoritative copy of the electronic chattel
20 paper is maintained for the secured party, communicate to the custodian
21 an authenticated record releasing the designated custodian from any
22 further obligation to comply with instructions originated by the
23 secured party and instructing the custodian to comply with instructions
24 originated by the debtor; and

25 (C) Take appropriate action to enable the debtor or its designated
26 custodian to make copies of or revisions to the authoritative copy
27 which add or change an identified assignee of the authoritative copy
28 without the consent of the secured party;

29 (4) A secured party having control of investment property under RCW
30 62A.8-106(4)(b) or 62A.9A-106(b) shall send to the securities
31 intermediary or commodity intermediary with which the security
32 entitlement or commodity contract is maintained an authenticated record
33 that releases the securities intermediary or commodity intermediary
34 from any further obligation to comply with entitlement orders or
35 directions originated by the secured party; (~~and~~)

36 (5) A secured party having control of a letter-of-credit right
37 under RCW 62A.9A-107 shall send to each person having an unfulfilled
38 obligation to pay or deliver proceeds of the letter of credit to the

1 secured party an authenticated release from any further obligation to
2 pay or deliver proceeds of the letter of credit to the secured party;
3 and

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

5 (A) Give control of the electronic document to the debtor or its
6 designated custodian;

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

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

18 **Sec. 1506.** RCW 62A.9A-301 and 2001 c 32 s 22 are each amended to
19 read as follows:

20 LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS.
21 Except as otherwise provided in RCW 62A.9A-303 through 62A.9A-306, the
22 following rules determine the law governing perfection, the effect of
23 perfection or nonperfection, and the priority of a security interest in
24 collateral:

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

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

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

1 (A) Perfection of a security interest in the goods by filing a
2 fixture filing;

3 (B) Perfection of a security interest in timber to be cut; and

4 (C) The effect of perfection or nonperfection and the priority of
5 a nonpossessory security interest in the collateral.

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

10 **Sec. 1507.** RCW 62A.9A-310 and 2000 c 250 s 9A-310 are each amended
11 to read as follows:

12 WHEN FILING REQUIRED TO PERFECT SECURITY INTEREST OR AGRICULTURAL
13 LIEN; SECURITY INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING
14 PROVISIONS DO NOT APPLY. (a) **General rule: Perfection by filing.**
15 Except as otherwise provided in subsections (b) and (d) of this section
16 and RCW 62A.9A-312(b), a financing statement must be filed to perfect
17 all security interests and agricultural liens.

18 (b) **Exceptions: Filing not necessary.** The filing of a financing
19 statement is not necessary to perfect a security interest:

20 (1) That is perfected under RCW 62A.9A-308 (d), (e), (f), or (g);

21 (2) That is perfected under RCW 62A.9A-309 when it attaches;

22 (3) In property subject to a statute, regulation, or treaty
23 described in RCW 62A.9A-311(a);

24 (4) In goods in possession of a bailee which is perfected under RCW
25 62A.9A-312(d) (1) or (2);

26 (5) In certificated securities, documents, goods, or instruments
27 which is perfected without filing, control, or possession under RCW
28 62A.9A-312 (e), (f), or (g);

29 (6) In collateral in the secured party's possession under RCW
30 62A.9A-313;

31 (7) In a certificated security which is perfected by delivery of
32 the security certificate to the secured party under RCW 62A.9A-313;

33 (8) In deposit accounts, electronic chattel paper, electronic
34 documents, investment property, or letter-of-credit rights which is
35 perfected by control under RCW 62A.9A-314;

36 (9) In proceeds which is perfected under RCW 62A.9A-315; or

37 (10) That is perfected under RCW 62A.9A-316.

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

6 (d) **Further exception: Filing not necessary for handler's lien.**
7 The filing of a financing statement is not necessary to perfect the
8 agricultural lien of a handler on orchard crops as provided in RCW
9 60.11.020(3).

10 **Sec. 1508.** RCW 62A.9A-310 and 2011 c 74 s 709 are each amended to
11 read as follows:

12 WHEN FILING REQUIRED TO PERFECT SECURITY INTEREST OR AGRICULTURAL
13 LIEN; SECURITY INTERESTS AND AGRICULTURAL LIENS TO WHICH FILING
14 PROVISIONS DO NOT APPLY. (a) **General rule: Perfection by filing.**
15 Except as otherwise provided in subsections (b) and (d) of this section
16 and RCW 62A.9A-312(b), a financing statement must be filed to perfect
17 all security interests and agricultural liens.

18 (b) **Exceptions: Filing not necessary.** The filing of a financing
19 statement is not necessary to perfect a security interest:

20 (1) That is perfected under RCW 62A.9A-308 (d), (e), (f), or (g);

21 (2) That is perfected under RCW 62A.9A-309 when it attaches;

22 (3) In property subject to a statute, regulation, or treaty
23 described in RCW 62A.9A-311(a);

24 (4) In goods in possession of a bailee which is perfected under RCW
25 62A.9A-312(d) (1) or (2);

26 (5) In certificated securities, documents, goods, or instruments
27 which is perfected without filing, control, or possession under RCW
28 62A.9A-312 (e), (f), or (g);

29 (6) In collateral in the secured party's possession under RCW
30 62A.9A-313;

31 (7) In a certificated security which is perfected by delivery of
32 the security certificate to the secured party under RCW 62A.9A-313;

33 (8) In deposit accounts, electronic chattel paper, electronic
34 documents, investment property, or letter-of-credit rights which is
35 perfected by control under RCW 62A.9A-314;

36 (9) In proceeds which is perfected under RCW 62A.9A-315; or

37 (10) That is perfected under RCW 62A.9A-316.

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

6 (d) **Further exception: Filing not necessary for handler's lien.**
7 The filing of a financing statement is not necessary to perfect the
8 agricultural lien of a handler on orchard crops as provided in RCW
9 60.11.020(3).

10 **Sec. 1509.** RCW 62A.9A-312 and 2000 c 250 s 9A-312 are each amended
11 to read as follows:

12 PERFECTION OF SECURITY INTERESTS IN CHATTEL PAPER, DEPOSIT
13 ACCOUNTS, DOCUMENTS, GOODS COVERED BY DOCUMENTS, INSTRUMENTS,
14 INVESTMENT PROPERTY, LETTER-OF-CREDIT RIGHTS, AND MONEY; PERFECTION BY
15 PERMISSIVE FILING; TEMPORARY PERFECTION WITHOUT FILING OR TRANSFER OF
16 POSSESSION. (a) **Perfection by filing permitted.** A security interest
17 in chattel paper, negotiable documents, instruments, or investment
18 property may be perfected by filing.

19 (b) **Control or possession of certain collateral.** Except as
20 otherwise provided in RCW 62A.9A-315 (c) and (d) for proceeds:

21 (1) A security interest in a deposit account may be perfected only
22 by control under RCW 62A.9A-314;

23 (2) And except as otherwise provided in RCW 62A.9A-308(d), a
24 security interest in a letter-of-credit right may be perfected only by
25 control under RCW 62A.9A-314; and

26 (3) A security interest in money may be perfected only by the
27 secured party's taking possession under RCW 62A.9A-313.

28 (c) **Goods covered by negotiable document.** While goods are in the
29 possession of a bailee that has issued a negotiable document covering
30 the goods:

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

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

36 (d) **Goods covered by nonnegotiable document.** While goods are in

1 the possession of a bailee that has issued a nonnegotiable document
2 covering the goods, a security interest in the goods may be perfected
3 by:

- 4 (1) Issuance of a document in the name of the secured party;
- 5 (2) The bailee's receipt of notification of the secured party's
6 interest; or
- 7 (3) Filing as to the goods.

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

13 (f) **Temporary perfection: Goods or documents made available to**
14 **debtor.** A perfected security interest in a negotiable document or
15 goods in possession of a bailee, other than one that has issued a
16 negotiable document for the goods, remains perfected for twenty days
17 without filing if the secured party makes available to the debtor the
18 goods or documents representing the goods for the purpose of:

- 19 (1) Ultimate sale or exchange; or
- 20 (2) Loading, unloading, storing, shipping, transshipping,
21 manufacturing, processing, or otherwise dealing with them in a manner
22 preliminary to their sale or exchange.

23 (g) **Temporary perfection: Delivery of security certificate or**
24 **instrument to debtor.** A perfected security interest in a certificated
25 security or instrument remains perfected for twenty days without filing
26 if the secured party delivers the security certificate or instrument to
27 the debtor for the purpose of:

- 28 (1) Ultimate sale or exchange; or
- 29 (2) Presentation, collection, enforcement, renewal, or registration
30 of transfer.

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

34 **Sec. 1510.** RCW 62A.9A-313 and 2001 c 32 s 26 are each amended to
35 read as follows:

36 WHEN POSSESSION BY OR DELIVERY TO SECURED PARTY PERFECTS SECURITY
37 INTEREST WITHOUT FILING. (a) **Perfection by possession or delivery.**

1 Except as otherwise provided in subsection (b) of this section, a
2 secured party may perfect a security interest in tangible negotiable
3 documents, goods, instruments, money, or tangible chattel paper by
4 taking possession of the collateral. A secured party may perfect a
5 security interest in certificated securities by taking delivery of the
6 certificated securities under RCW 62A.8-301.

7 (b) **Goods covered by certificate of title.** With respect to goods
8 covered by a certificate of title issued by this state, a secured party
9 may perfect a security interest in the goods by taking possession of
10 the goods only in the circumstances described in RCW 62A.9A-316(d).

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

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

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

23 (d) **Time of perfection by possession; continuation of perfection.**
24 If perfection of a security interest depends upon possession of the
25 collateral by a secured party, perfection occurs no earlier than the
26 time the secured party takes possession and continues only while the
27 secured party retains possession.

28 (e) **Time of perfection by delivery; continuation of perfection.** A
29 security interest in a certificated security in registered form is
30 perfected by delivery when delivery of the certificated security occurs
31 under RCW 62A.8-301 and remains perfected by delivery until the debtor
32 obtains possession of the security certificate.

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

36 (g) **Effectiveness of acknowledgment; no duties or confirmation.** If
37 a person acknowledges that it holds possession for the secured party's
38 benefit:

1 (1) The acknowledgment is effective under subsection (c) of this
2 section or RCW 62A.8-301(1), even if the acknowledgment violates the
3 rights of a debtor; and

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

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

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

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

17 (i) **Effect of delivery under subsection (h) of this section; no**
18 **duties or confirmation.** A secured party does not relinquish
19 possession, even if a delivery under subsection (h) of this section
20 violates the rights of a debtor. A person to which collateral is
21 delivered under subsection (h) of this section does not owe any duty to
22 the secured party and is not required to confirm the delivery to
23 another person unless the person otherwise agrees or law other than
24 this article otherwise provides.

25 **Sec. 1511.** RCW 62A.9A-313 and 2011 c 74 s 710 are each amended to
26 read as follows:

27 WHEN POSSESSION BY OR DELIVERY TO SECURED PARTY PERFECTS SECURITY
28 INTEREST WITHOUT FILING. (a) **Perfection by possession or delivery.**
29 Except as otherwise provided in subsection (b) of this section, a
30 secured party may perfect a security interest in tangible negotiable
31 documents, goods, instruments, money, or tangible chattel paper by
32 taking possession of the collateral. A secured party may perfect a
33 security interest in certificated securities by taking delivery of the
34 certificated securities under RCW 62A.8-301.

35 (b) **Goods covered by certificate of title.** With respect to goods
36 covered by a certificate of title issued by this state, a secured party

1 may perfect a security interest in the goods by taking possession of
2 the goods only in the circumstances described in RCW 62A.9A-316(d).

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

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

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

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

20 (e) **Time of perfection by delivery; continuation of perfection.** A
21 security interest in a certificated security in registered form is
22 perfected by delivery when delivery of the certificated security occurs
23 under RCW 62A.8-301 and remains perfected by delivery until the debtor
24 obtains possession of the security certificate.

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

28 (g) **Effectiveness of acknowledgment; no duties or confirmation.** If
29 a person acknowledges that it holds possession for the secured party's
30 benefit:

31 (1) The acknowledgment is effective under subsection (c) of this
32 section or RCW 62A.8-301(1), even if the acknowledgment violates the
33 rights of a debtor; and

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

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

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

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

10 (i) **Effect of delivery under subsection (h) of this section; no**
11 **duties or confirmation.** A secured party does not relinquish
12 possession, even if a delivery under subsection (h) of this section
13 violates the rights of a debtor. A person to which collateral is
14 delivered under subsection (h) of this section does not owe any duty to
15 the secured party and is not required to confirm the delivery to
16 another person unless the person otherwise agrees or law other than
17 this article otherwise provides.

18 **Sec. 1512.** RCW 62A.9A-314 and 2000 c 250 s 9A-314 are each amended
19 to read as follows:

20 **PERFECTION BY CONTROL.** (a) **Perfection by control.** A security
21 interest in investment property, deposit accounts, letter-of-credit
22 rights, ~~((or))~~ electronic chattel paper, or electronic documents may be
23 perfected by control of the collateral under RCW 62A.7-106, 62A.9A-104,
24 62A.9A-105, 62A.9A-106, or 62A.9A-107.

25 (b) **Specified collateral: Time of perfection by control;**
26 **continuation of perfection.** A security interest in deposit accounts,
27 electronic chattel paper, ~~((or))~~ letter-of-credit rights, or electronic
28 documents is perfected by control under RCW 62A.7-106, 62A.9A-104,
29 62A.9A-105, or 62A.9A-107 when the secured party obtains control and
30 remains perfected by control only while the secured party retains
31 control.

32 (c) **Investment property: Time of perfection by control;**
33 **continuation of perfection.** A security interest in investment property
34 is perfected by control under RCW 62A.9A-106 from the time the secured
35 party obtains control and remains perfected by control until:

36 (1) The secured party does not have control; and

37 (2) One of the following occurs:

1 (A) If the collateral is a certificated security, the debtor has or
2 acquires possession of the security certificate;

3 (B) If the collateral is an uncertificated security, the issuer has
4 registered or registers the debtor as the registered owner; or

5 (C) If the collateral is a security entitlement, the debtor is or
6 becomes the entitlement holder.

7 **Sec. 1513.** RCW 62A.9A-317 and 2001 c 32 s 27 are each amended to
8 read as follows:

9 INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST
10 OR AGRICULTURAL LIEN. (a) **Conflicting security interests and rights of**
11 **lien creditors.** A security interest or agricultural lien is
12 subordinate to the rights of:

13 (1) A person entitled to priority under RCW 62A.9A-322; and

14 (2) Except as otherwise provided in subsection (e) of this section,
15 a person that becomes a lien creditor before the earlier of the time:

16 (A) The security interest or agricultural lien is perfected; or

17 (B) One of the conditions specified in RCW 62A.9A-203(b)(3) is met
18 and a financing statement covering the collateral is filed.

19 (b) **Buyers that receive delivery.** Except as otherwise provided in
20 subsection (e) of this section, a buyer, other than a secured party, of
21 tangible chattel paper, tangible documents, goods, instruments, or a
22 security certificate takes free of a security interest or agricultural
23 lien if the buyer gives value and receives delivery of the collateral
24 without knowledge of the security interest or agricultural lien and
25 before it is perfected.

26 (c) **Lessees that receive delivery.** Except as otherwise provided in
27 subsection (e) of this section, a lessee of goods takes free of a
28 security interest or agricultural lien if the lessee gives value and
29 receives delivery of the collateral without knowledge of the security
30 interest or agricultural lien and before it is perfected.

31 (d) **Licensees and buyers of certain collateral.** A licensee of a
32 general intangible or a buyer, other than a secured party, of accounts,
33 electronic chattel paper, electronic documents, general intangibles, or
34 investment property other than a certificated security takes free of a
35 security interest if the licensee or buyer gives value without
36 knowledge of the security interest and before it is perfected.

1 (e) **Purchase-money security interest.** Except as otherwise provided
2 in RCW 62A.9A-320 and 62A.9A-321, if a person files a financing
3 statement with respect to a purchase-money security interest before or
4 within twenty days after the debtor receives delivery of the
5 collateral, the security interest takes priority over the rights of a
6 buyer, lessee, or lien creditor which arise between the time the
7 security interest attaches and the time of filing.

8 **Sec. 1514.** RCW 62A.9A-317 and 2011 c 74 s 204 are each amended to
9 read as follows:

10 INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE OF SECURITY INTEREST
11 OR AGRICULTURAL LIEN. (a) **Conflicting security interests and rights of**
12 **lien creditors.** A security interest or agricultural lien is
13 subordinate to the rights of:

- 14 (1) A person entitled to priority under RCW 62A.9A-322; and
- 15 (2) Except as otherwise provided in subsection (e) of this section,
16 a person that becomes a lien creditor before the earlier of the time:
 - 17 (A) The security interest or agricultural lien is perfected; or
 - 18 (B) One of the conditions specified in RCW 62A.9A-203(b)(3) is met
19 and a financing statement covering the collateral is filed.

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

27 (c) **Lessees that receive delivery.** Except as otherwise provided in
28 subsection (e) of this section, a lessee of goods takes free of a
29 security interest or agricultural lien if the lessee gives value and
30 receives delivery of the collateral without knowledge of the security
31 interest or agricultural lien and before it is perfected.

32 (d) **Licensees and buyers of certain collateral.** A licensee of a
33 general intangible or a buyer, other than a secured party, of
34 collateral other than tangible chattel paper, tangible documents,
35 goods, instruments, or a certificated security takes free of a security
36 interest if the licensee or buyer gives value without knowledge of the
37 security interest and before it is perfected.

1 (e) **Purchase-money security interest.** Except as otherwise provided
2 in RCW 62A.9A-320 and 62A.9A-321, if a person files a financing
3 statement with respect to a purchase-money security interest before or
4 within twenty days after the debtor receives delivery of the
5 collateral, the security interest takes priority over the rights of a
6 buyer, lessee, or lien creditor which arise between the time the
7 security interest attaches and the time of filing.

8 **Sec. 1515.** RCW 62A.9A-338 and 2000 c 250 s 9A-338 are each amended
9 to read as follows:

10 PRIORITY OF SECURITY INTEREST OR AGRICULTURAL LIEN PERFECTED BY
11 FILED FINANCING STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION. If
12 a security interest or agricultural lien is perfected by a filed
13 financing statement providing information described in RCW
14 62A.9A-516(b)(5) which is incorrect at the time the financing statement
15 is filed:

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

20 (2) A purchaser, other than a secured party, of the collateral
21 takes free of the security interest or agricultural lien to the extent
22 that, in reasonable reliance upon the incorrect information, the
23 purchaser gives value and, in the case of tangible chattel paper,
24 tangible documents, goods, instruments, or a security certificate,
25 receives delivery of the collateral.

26 **Sec. 1516.** RCW 62A.9A-338 and 2011 c 74 s 715 are each amended to
27 read as follows:

28 PRIORITY OF SECURITY INTEREST OR AGRICULTURAL LIEN PERFECTED BY
29 FILED FINANCING STATEMENT PROVIDING CERTAIN INCORRECT INFORMATION. If
30 a security interest or agricultural lien is perfected by a filed
31 financing statement providing information described in RCW
32 62A.9A-516(b)(5) which is incorrect at the time the financing statement
33 is filed:

34 (1) The security interest or agricultural lien is subordinate to a
35 conflicting perfected security interest in the collateral to the extent

1 that the holder of the conflicting security interest gives value in
2 reasonable reliance upon the incorrect information; and

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

9 **Sec. 1517.** RCW 62A.9A-601 and 2000 c 250 s 9A-601 are each amended
10 to read as follows:

11 RIGHTS AFTER DEFAULT; JUDICIAL ENFORCEMENT; CONSIGNOR OR BUYER OF
12 ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES. (a)
13 **Rights of secured party after default.** After default, a secured party
14 has the rights provided in this part and, except as otherwise provided
15 in RCW 62A.9A-602, those provided by agreement of the parties. A
16 secured party:

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

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

22 (b) **Rights and duties of secured party in possession or control.**
23 A secured party in possession of collateral or control of collateral
24 under RCW 62A.7-106, 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107
25 has the rights and duties provided in RCW 62A.9A-207.

26 (c) **Rights cumulative; simultaneous exercise.** The rights under
27 subsections (a) and (b) of this section are cumulative and may be
28 exercised simultaneously.

29 (d) **Rights of debtor and obligor.** Except as otherwise provided in
30 subsection (g) of this section and RCW 62A.9A-605, after default, a
31 debtor and an obligor have the rights provided in this part and by
32 agreement of the parties.

33 (e) **Lien of levy after judgment.** If a secured party has reduced
34 its claim to judgment, the lien of any levy that may be made upon the
35 collateral by virtue of an execution based upon the judgment relates
36 back to the earliest of:

1 (1) The date of perfection of the security interest or agricultural
2 lien in the collateral;

3 (2) The date of filing a financing statement covering the
4 collateral; or

5 (3) Any date specified in a statute under which the agricultural
6 lien was created.

7 (f) **Execution sale.** A sale pursuant to an execution is a
8 foreclosure of the security interest or agricultural lien by judicial
9 procedure within the meaning of this section. A secured party may
10 purchase at the sale and thereafter hold the collateral free of any
11 other requirements of this article.

12 (g) **Consignor or buyer of certain rights to payment.** Except as
13 otherwise provided in RCW 62A.9A-607(c), this part imposes no duties
14 upon a secured party that is a consignor or is a buyer of accounts,
15 chattel paper, payment intangibles, or promissory notes.

16 (h) **Enforcement restrictions.** All rights and remedies provided in
17 this part with respect to promissory notes or an agreement between an
18 account debtor and a debtor which relates to a health-care-insurance
19 receivable or a general intangible, including a contract, permit,
20 license, or franchise, are subject to RCW 62A.9A-408 to the extent
21 applicable.

22 **Sec. 1518.** RCW 62A.9A-601 and 2011 c 74 s 722 are each amended to
23 read as follows:

24 RIGHTS AFTER DEFAULT; JUDICIAL ENFORCEMENT; CONSIGNOR OR BUYER OF
25 ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES. (a)
26 **Rights of secured party after default.** After default, a secured party
27 has the rights provided in this part and, except as otherwise provided
28 in RCW 62A.9A-602, those provided by agreement of the parties. A
29 secured party:

30 (1) May reduce a claim to judgment, foreclose, or otherwise enforce
31 the claim, security interest, or agricultural lien by any available
32 judicial procedure; and

33 (2) If the collateral is documents, may proceed either as to the
34 documents or as to the goods they cover.

35 (b) **Rights and duties of secured party in possession or control.**
36 A secured party in possession of collateral or control of collateral

1 under RCW ~~62A.7-106~~, 62A.9A-104, 62A.9A-105, 62A.9A-106, or 62A.9A-107
2 has the rights and duties provided in RCW 62A.9A-207.

3 (c) **Rights cumulative; simultaneous exercise.** The rights under
4 subsections (a) and (b) of this section are cumulative and may be
5 exercised simultaneously.

6 (d) **Rights of debtor and obligor.** Except as otherwise provided in
7 subsection (g) of this section and RCW 62A.9A-605, after default, a
8 debtor and an obligor have the rights provided in this part and by
9 agreement of the parties.

10 (e) **Lien of levy after judgment.** If a secured party has reduced
11 its claim to judgment, the lien of any levy that may be made upon the
12 collateral by virtue of an execution based upon the judgment relates
13 back to the earliest of:

14 (1) The date of perfection of the security interest or agricultural
15 lien in the collateral;

16 (2) The date of filing a financing statement covering the
17 collateral; or

18 (3) Any date specified in a statute under which the agricultural
19 lien was created.

20 (f) **Execution sale.** A sale pursuant to an execution is a
21 foreclosure of the security interest or agricultural lien by judicial
22 procedure within the meaning of this section. A secured party may
23 purchase at the sale and thereafter hold the collateral free of any
24 other requirements of this article.

25 (g) **Consignor or buyer of certain rights to payment.** Except as
26 otherwise provided in RCW 62A.9A-607(c), this part imposes no duties
27 upon a secured party that is a consignor or is a buyer of accounts,
28 chattel paper, payment intangibles, or promissory notes.

29 (h) **Enforcement restrictions.** All rights and remedies provided in
30 this part with respect to promissory notes or an agreement between an
31 account debtor and a debtor which relates to a health-care-insurance
32 receivable or a general intangible, including a contract, permit,
33 license, or franchise, are subject to RCW 62A.9A-408 to the extent
34 applicable.

35 **PART XVI**
36 **STATUTORY REPEALS**

1 NEW SECTION. **Sec. 1704.** SAVINGS CLAUSE. A transaction that is
2 entered into, document of title that is issued, or a bailment that
3 arises before the effective date of this section and the rights,
4 obligations, and interests flowing from that transaction, document, or
5 bailment are governed by any statute or other rule amended or repealed
6 by this act as if amendment or repeal had not occurred and may be
7 terminated, completed, consummated, or enforced under that statute or
8 other rule.

9 NEW SECTION. **Sec. 1705.** Sections 901, 1402, 1501, 1507, 1510,
10 1513, 1515, and 1517 of this act expire July 1, 2013.

11 NEW SECTION. **Sec. 1706.** Sections 902, 1403, 1502, 1508, 1511,
12 1514, 1516, and 1518 of this act take effect July 1, 2013.

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