

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

24 § 1-104. Construction Against Implied Repeal.

25 The Uniform Commercial Code being a general act intended as a unified coverage of its subject matter, no part of it
26 shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.

27 § 1-105. Severability.

28 If any provision or clause of the Uniform Commercial Code or its application to any person or circumstance is held
29 invalid, the invalidity does not affect other provisions or applications of the Uniform Commercial Code which can be given
30 effect without the invalid provision or application, and to this end the provisions of the Uniform Commercial Code are
31 severable.

32 § 1-106. Use of Singular and Plural; Gender.

33 In the Uniform Commercial Code, unless the statutory context otherwise requires:

34 (1) words in the singular number include the plural, and those in the plural include the singular; and

35 (2) words of any gender also refer to any other gender.

36 § 1-107. Section Captions.

37 Section captions are part of the Uniform Commercial Code.

38 § 1-108. Relation to Electronic Signatures in Global and National Commerce Act.

39 This subtitle modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act,
40 (15 U.S.C. Section 7001, et. seq.) but does not modify, limit, or supersede Section 101(c) of that act (15 U.S.C. Section
41 7001(c)) or authorize electronic delivery of any of the notices described in Section 103(b) of that act (15 U.S.C. Section
42 103(b)).

43 PART 2

44 General Definitions and Principles of Interpretation

45 § 1-201. General Definitions.

46 (a) Unless the context otherwise requires, words or phrases defined in this section, or in the additional
47 definitions contained in other articles of the Uniform Commercial Code that apply to particular articles or parts thereof, have
48 the meanings stated.

49 (b) Subject to definitions contained in other articles of the Uniform Commercial Code that apply to particular
50 articles or parts thereof:

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

53 (2) "Aggrieved party" means a party entitled to pursue a remedy.

54 (3) "Agreement", as distinguished from "contract", means the bargain of the parties in fact, as found in
55 their language or inferred from other circumstances, including course of performance, course of dealing, or usage of trade as
56 provided in Section 1-303.

57 (4) "Bank" means a person engaged in the business of banking and includes a savings bank, savings and
58 loan association, credit union, and trust company.

59 (5) "Bearer" means a person in control of a negotiable electronic document of title or a person in
60 possession of a negotiable instrument, negotiable tangible document of title, or certificated security that is payable to bearer or
61 indorsed in blank.

62 (6) "Bill of lading" means a document of title evidencing the receipt of goods for shipment issued by a
63 person engaged in the business of directly or indirectly transporting or forwarding goods. The term does not include a
64 warehouse receipt.

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

66 (8) "Burden of establishing" a fact means the burden of persuading the trier of fact that the existence of
67 the fact is more probable than its nonexistence.

68 (9) "Buyer in ordinary course of business" means a person that buys goods in good faith, without
69 knowledge that the sale violates the rights of another person in the goods, and in the ordinary course from a person, other than
70 a pawnbroker, in the business of selling goods of that kind. A person buys goods in the ordinary course if the sale to the person
71 comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller's own
72 usual or customary practices. A person that sells oil, gas, or other minerals at the wellhead or minehead is a person in the
73 business of selling goods of that kind. A buyer in ordinary course of business may buy for cash, by exchange of other property,
74 or on secured or unsecured credit, and may acquire goods or documents of title under a preexisting contract for sale. Only a
75 buyer that takes possession of the goods or has a right to recover the goods from the seller under Article 2 may be a buyer in
76 ordinary course of business. "Buyer in ordinary course of business" does not include a person that acquires goods in a transfer
77 in bulk or as security for or in total or partial satisfaction of a money debt.

78 (10) “Conspicuous”, with reference to a term, means so written, displayed, or presented that a reasonable
79 person against which it is to operate ought to have noticed it. Whether a term is “conspicuous” or not is a decision for the
80 court. Conspicuous terms include the following:

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

83 (B) language in the body of a record or display in larger type than the surrounding text, or in
84 contrasting type, font, or color to the surrounding text of the same size, or set off from surrounding text of the same size by
85 symbols or other marks that call attention to the language.

86 (11) “Consumer” means an individual who enters into a transaction primarily for personal, family, or
87 household purposes

88 (12) “Contract”, as distinguished from “agreement”, means the total legal obligation that results from the
89 parties’ agreement as determined by the Uniform Commercial Code as supplemented by any other applicable laws.

90 (13) “Creditor” includes a general creditor, a secured creditor, a lien creditor, and any representative of
91 creditors, including an assignee for the benefit of creditors, a trustee in bankruptcy, a receiver in equity, and an executor or
92 administrator of an insolvent debtor’s or assignor’s estate.

93 (14) “Defendant” includes a person in the position of defendant in a counterclaim, cross-claim, or third-
94 party claim.

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

97 (16) “Document of title” means a record (i) that in the regular course of business or financing is treated
98 as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold, and dispose
99 of the record and the goods the record covers and (ii) that purports to be issued by or addressed to a bailee and to cover goods
100 in the bailee’s possession which are either identified or are fungible portions of an identified mass. The term includes a bill of
101 lading, transport document, dock warrant, dock receipt, warehouse receipt, and order for delivery of goods. An electronic
102 document of title means a document of title evidenced by a record consisting of information stored in an electronic medium. A
103 tangible document of title means a document of title evidenced by a record consisting of information that is inscribed on a
104 tangible medium.

105 (17) “Fault” means a default, breach, or wrongful act or omission.

106 (18) “Fungible goods” means:

107 (A) goods of which any unit, by nature or usage of trade, is the equivalent of any other like
108 unit; or

109 (B) goods that by agreement are treated as equivalent.

110 (19) “Genuine” means free of forgery or counterfeiting.

111 (20) “Good faith”, except as otherwise provided in Article 5, means honesty in fact and the observance of
112 reasonable commercial standards of fair dealing.

113 (21) “Holder” means:

114 (A) the person in possession of a negotiable instrument that is payable either to bearer or to an
115 identified person that is the person in possession; or

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

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

119 (22) “Insolvency proceeding” includes an assignment for the benefit of creditors or other proceeding
120 intended to liquidate or rehabilitate the estate of the person involved.

121 (23) “Insolvent” means:

122 (A) having generally ceased to pay debts in the ordinary course of business other than as a
123 result of bona fide dispute;

124 (B) being unable to pay debts as they become due; or

125 (C) being insolvent within the meaning of federal bankruptcy law.

126 (24) “Money” means a medium of exchange currently authorized or adopted by a domestic or foreign
127 government. The term includes a monetary unit of account established by an intergovernmental organization or by agreement
128 between two or more countries.

129 (25) “Organization” means a person other than an individual.

130 (26) “Party”, as distinguished from “third party”, means a person that has engaged in a transaction or
131 made an agreement subject to the Uniform Commercial Code.

132 (27) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited liability
133 company, association, joint venture, government, governmental subdivision, agency, or instrumentality, public corporation, or
134 any other legal or commercial entity.

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

139 (29) "Purchase" means taking by sale, lease, discount, negotiation, mortgage, pledge, lien, security
140 interest, issue or reissue, gift, or any other voluntary transaction creating an interest in property.

141 (30) "Purchaser" means a person that takes by purchase.

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

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

146 (33) "Representative" means a person empowered to act for another, including an agent, an officer of a
147 corporation or association, and a trustee, executor, or administrator of an estate.

148 (34) "Right" includes remedy.

149 (35) "Security interest" means an interest in personal property or fixtures which secures payment or
150 performance of an obligation. "Security interest" includes any interest of a consignor and a buyer of accounts, chattel paper, a
151 payment intangible, or a promissory note in a transaction that is subject to Article 9. "Security interest" does not include the
152 special property interest of a buyer of goods on identification of those goods to a contract for sale under Section 2-401, but a
153 buyer may also acquire a "security interest" by complying with Article 9. Except as otherwise provided in Section 2-505, the
154 right of a seller or lessor of goods under Article 2 or 2A to retain or acquire possession of the goods is not a "security interest",
155 but a seller or lessor may also acquire a "security interest" by complying with Article 9. The retention or reservation of title by
156 a seller of goods notwithstanding shipment or delivery to the buyer under Section 2-401 is limited in effect to a reservation of a
157 "security interest." Whether a transaction in the form of a lease creates a "security interest" is determined pursuant to
158 Section 1-203.

159 (36) "Send" in connection with a writing, record, or notice means:

160 (A) to deposit in the mail or deliver for transmission by any other usual means of
161 communication with postage or cost of transmission provided for and properly addressed and, in the case of an instrument, to
162 an address specified thereon or otherwise agreed, or if there be none to any address reasonable under the circumstances; or

163 (B) in any other way to cause to be received any record or notice within the time it would have
164 arrived if properly sent.

165 (37) "Signed" includes using any symbol executed or adopted with present intention to adopt or accept a
166 writing.

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

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

170 (40) "Term" means a portion of an agreement that relates to a particular matter.

171 (41) "Unauthorized signature" means a signature made without actual, implied, or apparent authority.
172 The term includes a forgery.

173 (42) "Warehouse receipt" means a document of title issued by a person engaged in the business of
174 storing goods for hire.

175 (43) "Writing" includes printing, typewriting, or any other intentional reduction to tangible form.
176 "Written" has a corresponding meaning.

177 § 1-202. Notice; Knowledge.

178 (a) Subject to subsection (f), a person has "notice" of a fact if the person:

179 (1) has actual knowledge of it;

180 (2) has received a notice or notification of it; or

181 (3) from all the facts and circumstances known to the person at the time in question, has reason to know
182 that it exists.

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

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

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

187 (e) Subject to subsection (f), a person "receives" a notice or notification when:

188 (1) it comes to that person's attention; or

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

191 (f) Notice, knowledge, or a notice or notification received by an organization is effective for a particular
192 transaction from the time it is brought to the attention of the individual conducting that transaction and, in any event, from the
193 time it would have been brought to the individual's attention if the organization had exercised due diligence. An organization
194 exercises due diligence if it maintains reasonable routines for communicating significant information to the person conducting
195 the transaction and there is reasonable compliance with the routines. Due diligence does not require an individual acting for
196 the organization to communicate information unless the communication is part of the individual's regular duties or the
197 individual has reason to know of the transaction and that the transaction would be materially affected by the information.

198 § 1-203. Lease Distinguished from Security Interest.

199 (a) Whether a transaction in the form of a lease creates a lease or security interest is determined by the facts of
200 each case.

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

- 204 (1) the original term of the lease is equal to or greater than the remaining economic life of the goods;
- 205 (2) the lessee is bound to renew the lease for the remaining economic life of the goods or is bound to
206 become the owner of the goods;
- 207 (3) the lessee has an option to renew the lease for the remaining economic life of the goods for no
208 additional consideration or for nominal additional consideration upon compliance with the lease agreement; or
- 209 (4) the lessee has an option to become the owner of the goods for no additional consideration or for
210 nominal additional consideration upon compliance with the lease agreement.

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

- 212 (1) the present value of the consideration the lessee is obligated to pay the lessor for the right to
213 possession and use of the goods is substantially equal to or is greater than the fair market value of the goods at the time the
214 lease is entered into;
- 215 (2) the lessee assumes risk of loss of the goods;
- 216 (3) the lessee agrees to pay, with respect to the goods, taxes, insurance, filing, recording, or registration
217 fees, or service or maintenance costs;
- 218 (4) the lessee has an option to renew the lease or to become the owner of the goods;

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

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

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

226 (1) when the option to renew the lease is granted to the lessee, the rent is stated to be the fair market
227 rent for the use of the goods for the term of the renewal determined at the time the option is to be performed; or

228 (2) when the option to become the owner of the goods is granted to the lessee, the price is stated to be
229 the fair market value of the goods determined at the time the option is to be performed.

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

233 § 1-204. Value.

234 Except as otherwise provided in Articles 3, 4, and 5, a person gives value for rights if the person acquires them:

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

237 (2) as security for, or in total or partial satisfaction of, a preexisting claim;

238 (3) by accepting delivery under a preexisting contract for purchase; or

239 (4) in return for any consideration sufficient to support a simple contract.

240 § 1-205. Reasonable Time; Seasonableness.

241 (a) Whether a time for taking an action required by the Uniform Commercial Code is reasonable depends on the
242 nature, purpose, and circumstances of the action.

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

245 § 1-206. Presumptions.

246 Whenever the Uniform Commercial Code creates a “presumption” with respect to a fact, or provides that a fact is
247 “presumed,” the trier of fact must find the existence of the fact unless and until evidence is introduced that supports a finding
248 of its nonexistence.

249 PART 3

250 Territorial Applicability and General Rules

251 § 1-301. Territorial Applicability; Parties’ Power to Choose Applicable Law.

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

255 (b) In the absence of an agreement effective under subsection (a), and except as provided in subsection (c), the
256 Uniform Commercial Code applies to transactions bearing an appropriate relation to this state.

257 (c) If one of the following provisions of the Uniform Commercial Code specifies the applicable law, that
258 provision governs and a contrary agreement is effective only to the extent permitted by the law so specified:

- 259 (1) Section 2-402;
- 260 (2) Sections 2A-105 and 2A-106;
- 261 (3) Section 4-102;
- 262 (4) Section 4A-507;
- 263 (5) Section 5-116;
- 264 (6) Section 8-110;
- 265 (7) Sections 9-301 through 9-307.

266 § 1-302. Variation by Agreement.

267 (a) Except as otherwise provided in subsection (b) or elsewhere in the Uniform Commercial Code, the effect of
268 provisions of the Uniform Commercial Code may be varied by agreement.

269 (b) The obligations of good faith, diligence, reasonableness, and care prescribed by the Uniform Commercial
270 Code may not be disclaimed by agreement. The parties, by agreement, may determine the standards by which the performance
271 of those obligations is to be measured if those standards are not manifestly unreasonable. Whenever the Uniform Commercial
272 Code requires an action to be taken within a reasonable time, a time that is not manifestly unreasonable may be fixed by
273 agreement.

274 (c) The presence in certain provisions of the Uniform Commercial Code of the phrase “unless otherwise agreed”,
275 or words of similar import, does not imply that the effect of other provisions may not be varied by agreement under this
276 section.

277 § 1-303. Course of Performance, Course of Dealing, and Usage of Trade.

278 (a) A “course of performance” is a sequence of conduct between the parties to a particular transaction that exists
279 if:

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

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

284 (b) A “course of dealing” is a sequence of conduct concerning previous transactions between the parties to a
285 particular transaction that is fairly to be regarded as establishing a common basis of understanding for interpreting their
286 expressions and other conduct.

287 (c) A “usage of trade” is any practice or method of dealing having such regularity of observance in a place,
288 vocation, or trade as to justify an expectation that it will be observed with respect to the transaction in question. The existence
289 and scope of such a usage must be proved as facts. If it is established that such a usage is embodied in a trade code or similar
290 record, the interpretation of the record is a question of law.

291 (d) A course of performance or course of dealing between the parties or usage of trade in the vocation or trade in
292 which they are engaged or of which they are or should be aware is relevant in ascertaining the meaning of the parties’
293 agreement, may give particular meaning to specific terms of the agreement, and may supplement or qualify the terms of the
294 agreement. A usage of trade applicable in the place in which part of the performance under the agreement is to occur may be
295 so utilized as to that part of the performance.

296 (e) Except as otherwise provided in subsection (f), the express terms of an agreement and any applicable course
297 of performance, course of dealing, or usage of trade must be construed whenever reasonable as consistent with each other. If
298 such a construction is unreasonable:

299 (1) express terms prevail over course of performance, course of dealing, and usage of trade;

300 (2) course of performance prevails over course of dealing and usage of trade; and

301 (3) course of dealing prevails over usage of trade.

302 (f) Subject to Section 2-209, a course of performance is relevant to show a waiver or modification of any term
303 inconsistent with the course of performance.

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

306 § 1-304. Obligation of Good Faith.

307 Every contract or duty within the Uniform Commercial Code imposes an obligation of good faith in its performance
308 and enforcement.

309 § 1-305. Remedies to be Liberally Administered.

310 (a) The remedies provided by the Uniform Commercial Code must be liberally administered to the end that the
311 aggrieved party may be put in as good a position as if the other party had fully performed but neither consequential or special
312 damages nor penal damages may be had except as specifically provided in the Uniform Commercial Code or by other rule of
313 law.

314 (b) Any right or obligation declared by the Uniform Commercial Code is enforceable by action unless the
315 provision declaring it specifies a different and limited effect.

316 § 1-306. Waiver or Renunciation of Claim or Right After Breach.

317 A claim or right arising out of an alleged breach may be discharged in whole or in part without consideration by
318 agreement of the aggrieved party in an authenticated record.

319 § 1-307. Prima Facie Evidence by Third-Party Documents.

320 A document in due form purporting to be a bill of lading, policy or certificate of insurance, official weigher's or
321 inspector's certificate, consular invoice, or any other document authorized or required by the contract to be issued by a third
322 party is prima facie evidence of its own authenticity and genuineness and of the facts stated in the document by the third party.

323 § 1-308. Performance or Acceptance Under Reservation of Rights.

324 (a) A party that with explicit reservation of rights performs or promises performance or assents to performance
325 in a manner demanded or offered by the other party does not thereby prejudice the rights reserved. Such words as "without
326 prejudice," "under protest," or the like are sufficient.

327 (b) Subsection (a) does not apply to an accord and satisfaction.

328 § 1-309. Option to Accelerate at Will.

329 A term providing that one party or that party's successor in interest may accelerate payment or performance or require
330 collateral or additional collateral "at will" or when the party "deems itself insecure," or words of similar import, means that the

331 party has power to do so only if that party in good faith believes that the prospect of payment or performance is impaired. The
332 burden of establishing lack of good faith is on the party against which the power has been exercised.

333 § 1-310. Subordinated Obligations.

334 An obligation may be issued as subordinated to performance of another obligation of the person obligated, or a
335 creditor may subordinate its right to performance of an obligation by agreement with either the person obligated or another
336 creditor of the person obligated. Subordination does not create a security interest as against either the common debtor or a
337 subordinated creditor.”

338 Section 2. Amend Subsection (1)(b), Section 2-103, Subtitle I, Title 6 of the Delaware Code by striking such
339 Subsection in its entirety, and substituting in lieu thereof the following:

340 “(b) [Reserved.]”

341 Section 3. Amend Subsection (3), Section 2-103, Subtitle I, Title 6 of the Delaware Code by striking the word
342 “The” at the beginning thereof, and substituting in lieu thereof “‘Control’ as provided in Section 7-106 and the”.

343 Section 4. Amend Subsection (2), Section 2-104, Subtitle I, Title 6 of the Delaware Code by striking said
344 Subsection in its entirety, and substituting in lieu thereof the following:

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

351 Section 5. Amend Subsection (a) of Section 2–202 of Subtitle I, Title 6 of the Delaware Code by striking such
352 Subsection in its entirety, and substituting in lieu thereof the following:

353 “(a) by course of performance, course of dealing, or usage of trade (Section 1-303); and”

354 Section 6. Amend Section 2–208, Subtitle I, Title 6 of the Delaware Code by striking such Section in its
355 entirety, and substituting in lieu thereof the following: .

356 “§2-208 [Reserved.]”

357 Section 7. Amend Subsection (c), Section 2-310, Subtitle I, Title 6 of the Delaware Code by striking said
358 Subsection in its entirety, and substituting in lieu thereof the following:

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

363 Section 8. Amend Subsection (2), Section 2-323, Subtitle I, Title 6 of the Delaware Code by striking said
364 Subsection in its entirety, and substituting in lieu thereof the following:

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

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

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

373 Section 9. Amend Subsection (3), Section 2-401, Subtitle I, Title 6 of the Delaware Code by striking said
374 Subsection in its entirety, and substituting in lieu thereof the following:

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

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

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

381 Section 10. Amend Subsection (4)(b), Section 2-503, Subtitle I, Title 6 of the Delaware Code by striking said
382 Subsection in its entirety, and substituting in lieu thereof the following:

383 “(b) tender to the buyer of a non-negotiable document of title or of a record directing the bailee to deliver
384 is sufficient tender unless the buyer seasonably objects, and except as otherwise provided in Article 9 receipt by the bailee of
385 notification of the buyer’s rights fixes those rights as against the bailee and all third persons; but risk of loss of the goods and of
386 any failure by the bailee to honor the non-negotiable document of title or to obey the direction remains on the seller until the

387 buyer has had a reasonable time to present the document or direction, and a refusal by the bailee to honor the document or to
388 obey the direction defeats the tender.”

389 Section 11. Amend Subsection (5)(b), Section 2-503, Subtitle I, Title 6 of the Delaware Code by striking said
390 Subsection in its entirety, and substituting in lieu thereof the following:

391 “(b) tender through customary banking channels is sufficient and dishonor of a draft accompanying or
392 associated with the documents constitutes non-acceptance or rejection.”

393 Section 12. Amend Subsection (1)(b), Section 2-505, Subtitle I, Title 6 of the Delaware Code by striking said
394 Subsection in its entirety, and substituting in lieu thereof the following:

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

398 Section 13. Amend Subsection (2), Section 2-506, Subtitle I, Title 6 of the Delaware Code by striking said
399 Subsection in its entirety, and substituting in lieu thereof the following:

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

403 Section 14. Amend Subsection (2), Section 2-509, Subtitle I, Title 6 of the Delaware Code by striking said
404 Subsection in its entirety, and substituting the following in lieu thereof:

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

407 (a) on the buyer’s receipt of possession or control of a negotiable document of title covering the goods;

408 or

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

410 (c) after his receipt of possession or control of a non-negotiable document of title or other direction to
411 deliver in a record, as provided in subsection (4)(b) of Section 2-503.”

412 Section 15. Amend Subsection (2), Section 2-605, Subtitle I, Title 6 of the Delaware Code by striking said
413 Subsection in its entirety, and substituting the following in lieu thereof:

414 “(2) Payment against documents made without reservation of rights precludes recovery of the payment for defects
415 apparent in the documents.”

416 Section 16. Amend Subsection (2)(c), Section 2-705, Subtitle I, Title 6 of the Delaware Code by striking said
417 Subsection in its entirety, and substituting the following in lieu thereof:

418 “(c) such acknowledgment to the buyer by a carrier by reshipment or as a warehouse; or”

419 Section 17. Amend Subsection (3)(c), Section 2-705, Subtitle I, Title 6 of the Delaware Code by striking said
420 Subsection in its entirety, and substituting the following in lieu thereof:

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

423 Section 18. Amend Subsection (1)(a), Section 2A-103, Subtitle I, Title 6 of the Delaware Code by striking said
424 Subsection in its entirety, and substituting the following in lieu thereof:

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

431 Section 19. Amend Subsection (1)(o), Section 2A-103, Subtitle I, Title 6 of the Delaware Code by striking said
432 Subsection in its entirety, and substituting the following in lieu thereof:

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

439 Section 20. Amend Subsection (3), Section 2A-103, Subtitle I, Title 6 of the Delaware Code by striking “‘Good
440 faith’”. Section 2-103(1)(b).”

441 Section 21. Amend Section 2A-207, Subtitle I, Title 6 of the Delaware Code by striking such Section in its
442 entirety, and substituting in lieu thereof:

443 “§2A-207 [Reserved.]”

444 Section 22. Amend Subsection (4), Section 2A-501, Subtitle I, Title 6 of the Delaware Code by striking “1-
445 106(1)”, and substituting in lieu thereof “1-305(a)”.

446 Section 23. Amend Subsection (2), Section 2A-514, Subtitle I, Title 6 of the Delaware Code by striking said
447 Subsection in its entirety, and substituting the following in lieu thereof:

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

450 Section 24. Amend Subsection (2), Section 2A-518, Subtitle I, Title 6 of the Delaware Code by striking “1-
451 102(3)”, and substituting in lieu thereof “1-302”.

452 Section 25. Amend Subsection (1), Section 2A-519, Subtitle I, Title 6 of the Delaware Code by striking “1-
453 102(3)”, and substituting in lieu thereof “1-302”.

454 Section 26. Amend Subsection (2)(c), Section 2A-526, Subtitle I, Title 6 of the Delaware Code by striking said
455 Subsection in its entirety, and substituting the following in lieu thereof:

456 “(c) such an acknowledgment to the lessee by a carrier via reshipment or as a warehouse.”

457 Section 27. Amend Subsection (2), Section 2A-527, Subtitle I, Title 6 of the Delaware Code by striking “1-
458 102(3)”, and substituting in lieu thereof “1-302”.

459 Section 28. Amend Subsection (1), Section 2A-528, Subtitle I, Title 6 of the Delaware Code by striking “1-
460 102(3)”, and substituting in lieu thereof “1-302”.

461 Section 29. Amend Subsection (a)(4), Section 3-103, Subtitle I, Title 6 of the Delaware Code by striking such
462 Subsection in its entirety, and substituting in lieu thereof the following:

463 “(4) [Reserved.]”

464 Section 30. Amend Subsection (10), Section 3-103, Subtitle I, Title 6 of the Delaware Code by striking “1-
465 201(8)”, and substituting in lieu thereof “1-201(b)(8)”.

466 Section 31. Amend Subsection (c), Section 4-104, Subtitle I, Title 6 of the Delaware Code by striking “‘Good
467 faith’. Section 3-103”.

468 Section 32. Amend Subsection (c), Section 4-104, Subtitle I, Title 6 of the Delaware Code by striking the word
469 “The” at the beginning thereof, and substituting in lieu thereof “‘Control’ as provided in Section 7-106 and the”.

470 Section 33. Amend Subsection (c), Section 4-210, Subtitle I, Title 6 of the Delaware Code by striking said
471 Subsection in its entirety, and substituting the following in lieu thereof:

- 501 (a) In this article, unless the context otherwise requires:
- 502 (1) “Bailee” means a person that by a warehouse receipt, bill of lading, or other document of title
503 acknowledges possession of goods and contracts to deliver them.
- 504 (2) “Carrier” means a person that issues a bill of lading.
- 505 (3) “Consignee” means a person named in a bill of lading to which or to whose order the bill promises
506 delivery.
- 507 (4) “Consignor” means a person named in a bill of lading as the person from which the goods have been
508 received for shipment.
- 509 (5) “Delivery order” means a record that contains an order to deliver goods directed to a warehouse,
510 carrier, or other person that in the ordinary course of business issues warehouse receipts or bills of lading.
- 511 (6) [Reserved.]
- 512 (7) “Goods” means all things that are treated as movable for the purposes of a contract for storage or
513 transportation.
- 514 (8) “Issuer” means a bailee that issues a document of title or, in the case of an unaccepted delivery
515 order, the person that orders the possessor of goods to deliver. The term includes a person for which an agent or employee
516 purports to act in issuing a document if the agent or employee has real or apparent authority to issue documents, even if the
517 issuer did not receive any goods, the goods were misdescribed, or in any other respect the agent or employee violated the
518 issuer’s instructions.
- 519 (9) “Person entitled under the document” means the holder, in the case of a negotiable document of
520 title, or the person to which delivery of the goods is to be made by the terms of, or pursuant to instructions in a record under, a
521 nonnegotiable document of title.
- 522 (10) [Reserved.]
- 523 (11) “Sign” means, with present intent to authenticate or adopt a record:
- 524 (A) to execute or adopt a tangible symbol; or
- 525 (B) to attach to or logically associate with the record an electronic sound, symbol, or process.
- 526 (12) “Shipper” means a person that enters into a contract of transportation with a carrier.
- 527 (13) “Warehouse” means a person engaged in the business of storing goods for hire.
- 528 (b) Definitions in other articles applying to this article and the sections in which they appear are:
- 529 (1) “Contract for sale”, Section 2-106.

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

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

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

534 § 7-103. Relation of Article to Treaty or Statute.

535 (a) This article is subject to any treaty or statute of the United States or regulatory statute of this state to the
536 extent the treaty, statute, or regulatory statute is applicable.

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

541 (c) This Act (Section 7-701) modifies, limits, and supersedes the federal Electronic Signatures in Global and
542 National Commerce Act (15 U.S.C. Section 7001, et. seq.) but does not modify, limit, or supersede Section 101(c) of that act
543 (15 U.S.C. Section 7001(c)) or authorize electronic delivery of any of the notices described in Section 103(b) of that act (15
544 U.S.C. Section 7003(b)).

545 (d) To the extent there is a conflict between the Uniform Electronic Transactions Act and this article, this article
546 governs.

547 § 7-104. Negotiable and Nonnegotiable Document of Title.

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

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

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

555 § 7-105. Reissuance in Alternative Medium.

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

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

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

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

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

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

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

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

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

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

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

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

580 § 7-106. Control of Electronic Document of Title.

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

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

- 586 (1) a single authoritative copy of the document exists which is unique, identifiable, and, except as
587 otherwise provided in paragraphs (4), (5), and (6), unalterable;
- 588 (2) the authoritative copy identifies the person asserting control as:
- 589 (A) the person to which the document was issued; or
- 590 (B) if the authoritative copy indicates that the document has been transferred, the person to
591 which the document was most recently transferred;
- 592 (3) the authoritative copy is communicated to and maintained by the person asserting control or its
593 designated custodian;
- 594 (4) copies or amendments that add or change an identified assignee of the authoritative copy can be
595 made only with the consent of the person asserting control;
- 596 (5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is
597 not the authoritative copy; and
- 598 (6) any amendment of the authoritative copy is readily identifiable as authorized or unauthorized.

599 PART 2

600 Warehouse Receipts: Special Provisions

601 § 7-201. Person That May Issue a Warehouse Receipt; Storage Under Bond.

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

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

606 § 7-202. Form of Warehouse Receipt; Effect of Omission.

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

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

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

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

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

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

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

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

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

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

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

625 (c) A warehouse may insert in its receipt any terms that are not contrary to the Uniform Commercial Code and
626 do not impair its obligation of delivery under Section 7-403 or its duty of care under Section 7-204. Any contrary provision is
627 ineffective.

628 § 7-203. Liability for Nonreceipt or Misdescription.

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

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

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

637 § 7-204. Duty of Care; Contractual Limitation of Warehouse’s Liability.

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

641 (b) Damages may be limited by a term in the warehouse receipt or storage agreement limiting the amount of
642 liability in case of loss or damage beyond which the warehouse is not liable. Such a limitation is not effective with respect to
643 the warehouse’s liability for conversion to its own use. On request of the bailor in a record at the time of signing the storage

644 agreement or within a reasonable time after receipt of the warehouse receipt, the warehouse's liability may be increased on part
645 or all of the goods covered by the storage agreement or the warehouse receipt. In this event, increased rates may be charged
646 based on an increased valuation of the goods.

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

649 § 7-205. Title Under Warehouse Receipt Defeated in Certain Cases.

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

653 § 7-206. Termination of Storage at Warehouse's Option.

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

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

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

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

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

672 § 7-207. Goods Must be Kept Separate; Fungible Goods.

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

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

680 § 7-208. Altered Warehouse Receipts.

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

684 § 7-209. Lien of Warehouse.

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

696 (b) A warehouse may also reserve a security interest against the bailor for the maximum amount specified on the
697 receipt for charges other than those specified in subsection (a), such as for money advanced and interest. The security interest
698 is governed by Article 9.

699 (c) A warehouse's lien for charges and expenses under subsection (a) or a security interest under subsection (b)
700 is also effective against any person that so entrusted the bailor with possession of the goods that a pledge of them by the bailor
701 to a good-faith purchaser for value would have been valid. However, the lien or security interest is not effective against a

702 person that before issuance of a document of title had a legal interest or a perfected security interest in the goods and that did
703 not:

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

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

707 (B) power to obtain delivery under Section 7-403; or

708 (C) power of disposition under Sections 2-403, 2A-304(2), 2A-305(2), 9-320, or 9-321(c) or
709 other statute or rule of law; or

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

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

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

715 § 7-210. Enforcement of Warehouse's Lien.

716 (a) Except as otherwise provided in subsection (b), a warehouse's lien may be enforced by public or private sale
717 of the goods, in bulk or in packages, at any time or place and on any terms that are commercially reasonable, after notifying all
718 persons known to claim an interest in the goods. The notification must include a statement of the amount due, the nature of the
719 proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a
720 different time or in a method different from that selected by the warehouse is not of itself sufficient to establish that the sale
721 was not made in a commercially reasonable manner. The warehouse sells in a commercially reasonable manner if the
722 warehouse sells the goods in the usual manner in any recognized market therefore, sells at the price current in that market at the
723 time of the sale, or otherwise sells in conformity with commercially reasonable practices among dealers in the type of goods
724 sold. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially
725 reasonable, except in cases covered by the preceding sentence.

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

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

729 (2) The notification must include an itemized statement of the claim, a description of the goods subject
730 to the lien, a demand for payment within a specified time not less than 10 days after receipt of the notification, and a

731 conspicuous statement that unless the claim is paid within that time the goods will be advertised for sale and sold by auction at
732 a specified time and place.

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

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

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

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

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

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

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

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

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

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

755 PART 3

756 Bills of Lading: Special Provisions

757 § 7-301. Liability for Nonreceipt or Misdescription; "Said to Contain"; "Shipper's Weight, Load, and Count"; Improper
758 Handling.

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

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

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

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

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

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

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

782 § 7-302. Through Bills of Lading and Similar Documents of Title.

783 (a) The issuer of a through bill of lading, or other document of title embodying an undertaking to be performed
784 in part by a person acting as its agent or by a performing carrier, is liable to any person entitled to recover on the bill or other
785 document for any breach by the other person or the performing carrier of its obligation under the bill or other document.
786 However, to the extent that the bill or other document covers an undertaking to be performed overseas or in territory not

787 contiguous to the continental United States or an undertaking including matters other than transportation, this liability for
788 breach by the other person or the performing carrier may be varied by agreement of the parties.

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

794 (c) The issuer of a through bill of lading or other document of title described in subsection (a) is entitled to
795 recover from the performing carrier, or other person in possession of the goods when the breach of the obligation under the bill
796 or other document occurred:

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

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

801 § 7-303. Diversion; Reconsignment; Change Of Instructions.

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

804 (1) the holder of a negotiable bill;

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

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

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

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

813 § 7-304. Tangible Bills of Lading in a Set.

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

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

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

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

825 (e) The bailee shall deliver in accordance with Part 4 against the first presented part of a tangible bill of lading
826 lawfully issued in a set. Delivery in this manner discharges the bailee's obligation on the whole bill.
827 § 7-305. Destination Bills.

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

830 (b) Upon request of any person entitled as against a carrier to control the goods while in transit and on surrender
831 of possession or control of any outstanding bill of lading or other receipt covering the goods, the issuer, subject to Section 7-
832 105, may procure a substitute bill to be issued at any place designated in the request.

833 § 7-306. Altered Bills of Lading.

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

836 § 7-307. Lien of Carrier.

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

842 (b) A lien for charges and expenses under subsection (a) on goods that the carrier was required by law to receive
843 for transportation is effective against the consignor or any person entitled to the goods unless the carrier had notice that the
844 consignor lacked authority to subject the goods to those charges and expenses. Any other lien under subsection (a) is effective

845 against the consignor and any person that permitted the bailor to have control or possession of the goods unless the carrier had
846 notice that the bailor lacked authority.

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

848 § 7-308. Enforcement of Carrier's Lien.

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

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

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

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

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

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

869 (g) A carrier's lien may be enforced pursuant to either subsection (a) or the procedure set forth in Section 7-
870 210(b).

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

873 § 7-309. Duty of Care; Contractual Limitation of Carrier's Liability.

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

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

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

884 PART 4

885 Warehouse Receipts and Bills of Lading: General Obligations

886 § 7-401. Irregularities in Issue of Receipt or Bill or Conduct of Issuer.

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

- 888 (1) the document does not comply with the requirements of this article or of any other statute, rule, or
889 regulation regarding its issuance, form, or content;
- 890 (2) the issuer violated laws regulating the conduct of its business;
- 891 (3) the goods covered by the document were owned by the bailee when the document was issued; or
- 892 (4) the person issuing the document is not a warehouse but the document purports to be a warehouse
893 receipt.

894 § 7-402. Duplicate Document of Title; Overissue.

895 A duplicate or any other document of title purporting to cover goods already represented by an outstanding document
896 of the same issuer does not confer any right in the goods, except as provided in the case of tangible bills of lading in a set of
897 parts, overissue of documents for fungible goods, substitutes for lost, stolen, or destroyed documents, or substitute documents
898 issued pursuant to Section 7-105. The issuer is liable for damages caused by its overissue or failure to identify a duplicate
899 document by a conspicuous notation.

900 § 7-403. Obligation of Bailee to Deliver; Excuse.

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

- 903 (1) delivery of the goods to a person whose receipt was rightful as against the claimant;
904 (2) damage to or delay, loss, or destruction of the goods for which the bailee is not liable;
905 (3) previous sale or other disposition of the goods in lawful enforcement of a lien or on a warehouse's
906 lawful termination of storage;
907 (4) the exercise by a seller of its right to stop delivery pursuant to Section 2-705 or by a lessor of its
908 right to stop delivery pursuant to Section 2A-526;
909 (5) a diversion, reconignment, or other disposition pursuant to Section 7-303;
910 (6) release, satisfaction, or any other personal defense against the claimant; or
911 (7) any other lawful excuse.

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

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

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

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

920 § 7-404. No Liability for Good-Faith Delivery Pursuant to Document of Title.

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

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

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

926 PART 5

927 Warehouse Receipts and Bills of Lading: Negotiation and Transfer

928 § 7-501. Form of Negotiation and Requirements of Due Negotiation.

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

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

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

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

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

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

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

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

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

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

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

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

956 § 7-502. Rights Acquired by Due Negotiation.

957 (a) Subject to Sections 7-205 and 7-503, a holder to which a negotiable document of title has been duly
958 negotiated acquires thereby:

959 (1) title to the document;
960 (2) title to the goods;
961 (3) all rights accruing under the law of agency or estoppel, including rights to goods delivered to the
962 bailee after the document was issued; and

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

967 (b) Subject to Section 7-503, title and rights acquired by due negotiation are not defeated by any stoppage of the
968 goods represented by the document of title or by surrender of the goods by the bailee and are not impaired even if:

969 (1) the due negotiation or any prior due negotiation constituted a breach of duty;
970 (2) any person has been deprived of possession of a negotiable tangible document or control of a
971 negotiable electronic document by misrepresentation, fraud, accident, mistake, duress, loss, theft, or conversion; or
972 (3) a previous sale or other transfer of the goods or document has been made to a third person.

973 § 7-503. Document of Title to Goods Defeated in Certain Cases.

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

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

978 (A) actual or apparent authority to ship, store, or sell;
979 (B) power to obtain delivery under Section 7-403; or
980 (C) power of disposition under Section 2-403, 2A-304(2), 2A-305(2), 9-320, or 9-321(c) or
981 other statute or rule of law; or
982 (D) acquiesce in the procurement by the bailor or its nominee of any document.

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

986 (c) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of any person to
987 which a bill issued by the freight forwarder is duly negotiated. However, delivery by the carrier in accordance with Part 4
988 pursuant to its own bill of lading discharges the carrier's obligation to deliver.

989 § 7-504. Rights Acquired in Absence of Due Negotiation; Effect of Diversion; Stoppage of Delivery.

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

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

994 (1) by those creditors of the transferor which could treat the transfer as void under Section 2-402 or 2A-
995 308;

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

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

1000 (4) as against the bailee, by good-faith dealings of the bailee with the transferor.

1001 (c) A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which
1002 causes the bailee not to deliver the goods to the consignee defeats the consignee's title to the goods if the goods have been
1003 delivered to a buyer in ordinary course of business or a lessee in ordinary course of business and, in any event, defeats the
1004 consignee's rights against the bailee.

1005 (d) Delivery of the goods pursuant to a nonnegotiable document of title may be stopped by a seller under Section
1006 2-705 or a lessor under Section 2A-526, subject to the requirements of due notification in those sections. A bailee that honors
1007 the seller's or lessor's instructions is entitled to be indemnified by the seller or lessor against any resulting loss or expense.

1008 § 7-505. Indorser Not Guarantor for Other Parties.

1009 The indorsement of a tangible document of title issued by a bailee does not make the indorser liable for any default by
1010 the bailee or previous indorsers.

1011 § 7-506. Delivery Without Indorsement: Right to Compel Indorsement.

1012 The transferee of a negotiable tangible document of title has a specifically enforceable right to have its transferor
1013 supply any necessary indorsement, but the transfer becomes a negotiation only as of the time the indorsement is supplied.

1014 § 7-507. Warranties on Negotiation or Delivery of Document of Title.

1043 at the time of posting to indemnify any person injured by the delivery which files a notice of claim within one year after the
1044 delivery.

1045 § 7-602. Judicial Process Against Goods Covered by Negotiable Document of Title.

1046 Unless a document of title was originally issued upon delivery of the goods by a person that did not have power to
1047 dispose of them, a lien does not attach by virtue of any judicial process to goods in the possession of a bailee for which a
1048 negotiable document of title is outstanding unless possession or control of the document is first surrendered to the bailee or the
1049 document's negotiation is enjoined. The bailee may not be compelled to deliver the goods pursuant to process until possession
1050 or control of the document is surrendered to the bailee or to the court. A purchaser of the document for value without notice of
1051 the process or injunction takes free of the lien imposed by judicial process.

1052 § 7-603. Conflicting Claims; Interpleader.

1053 If more than one person claims title to or possession of the goods, the bailee is excused from delivery until the bailee
1054 has a reasonable time to ascertain the validity of the adverse claims or to commence an action for interpleader. The bailee may
1055 assert an interpleader either in defending an action for nondelivery of the goods or by original action.

1056 PART 7

1057 Miscellaneous Provisions

1058 § 7-701. Applicability.

1059 References in this part to this "Act" refer to the legislative enactment by which this part is added to the Uniform
1060 Commercial Code. This Act applies to a document of title that is issued or a bailment that arises on or after the effective date
1061 of this Act. This Act does not apply to a document of title that is issued or a bailment that arises before the effective date of
1062 this Act even if the document of title or bailment would be subject to this Act if the document of title had been issued or
1063 bailment had arisen on or after the effective date of this Act. This Act does not apply to a right of action that has accrued
1064 before the effective date of this Act.

1065 § 7-702. Savings Clause.

1066 A document of title issued or a bailment that arises before the effective date of this Act and the rights, obligations, and
1067 interests flowing from that document or bailment are governed by any statute or other rule amended or repealed by this Act as
1068 if amendment or repeal had not occurred and may be terminated, completed, consummated, or enforced under that statute or
1069 other rule.

1070 Section 40. Amend Subsection (a)(10), Section 8–102, Subtitle I, Title 6 of the Delaware Code by striking said
1071 Subsection in its entirety, and substituting in lieu thereof the following:

1072 “(10) [Reserved.]”

1073 Section 41. Amend, Section 8-103, Subtitle I, Title 6 of the Delaware Code by adding thereto a new Subsection

1074 (g) as follows:

1075 “(g) A document of title is not a financial asset unless Section 8-102(a)(9)(iii) applies.”

1076 Section 42. Amend Subsection (a), Section 8-302, Subtitle I, Title 6 of the Delaware Code by striking such

1077 Subsection in its entirety, and substituting in lieu thereof the following:

1078 “(a) Except as otherwise provided in subsections (b) and (c), a purchaser of a certificated or uncertificated

1079 security acquires all rights in the security that the transferor had or had power to transfer.”

1080 Section 43. Amend Subsection (a)(30), Section 9-102 by striking “7-201(2)”, and substituting in lieu thereof “7-

1081 201(b)”.

1082 Section 44. Amend Subsection (a)(43), Section 9-102, Subtitle I, Title 6 of the Delaware Code by striking said

1083 Subsection in its entirety, and substituting in lieu thereof the following:

1084 “(43) [Reserved.]”

1085 Section 45. Amend Subsection (b), Section 9-102, Subtitle I, Title 6 of the Delaware Code by striking the word

1086 “The” immediately following the subheading “*Definitions in other Articles*”, and substituting in lieu thereof “Control as

1087 provided in Section 7-106 and the”, and adding to the Subsection a new definition immediately prior to ““Lease’ Section 2A-

1088 102” as follows:

1089 ““Issuer’ (with respect to documents of title) Section 7-102”

1090 Section 46. Amend Subsection (b), Section 9-203, Subtitle I, Title 6 of the Delaware Code by striking the words

1091 “(c) through (i)” appearing in the first sentence thereof and substituting in lieu thereof the words “(c) through (k).”

1092 Section 47. Amend Subsection (b)(3)(D), Section 9-203, Subtitle I, Title 6 of the Delaware Code by striking

1093 such Subsection in its entirety, and substituting in lieu thereof the following:

1094 “(D) the collateral is deposit accounts, electronic chattel paper, investment property, letter-of-

1095 credit rights, or electronic documents, and the secured party has control under Section 7-106, 9-104, 9-105, 9-106, or 9-107

1096 pursuant to the debtor’s security agreement.”

1097 Section 48. Amend Section 9-203, Subtitle I, Title 6 of the Delaware Code by adding new Subsections (j) and

1098 (k) as follows:

1099 “(j) *Authentication of Security Agreement Made by a Trust or Trustee.* For purposes of subsection (b)(3)(A), if

1100 the debtor is a trust (including a trust that is a registered organization) or a trustee acting with respect to property held in trust,

1101 the security agreement is properly authenticated if authenticated in the name of either the trust or the trustee by a person
1102 authorized to bind the debtor.”

1103 “(k) *Creation of Security Interest by a Trust or Trustee.* If the debtor is a trust (including a trust that is a
1104 registered organization) or a trustee acting with respect to property held in trust, the debtor's security agreement creates or
1105 provides for a security interest whether created or provided for in the name of either the trust or the trustee.”

1106 Section 49. Amend Subsection (c), Section 9-207, Subtitle I, Title 6 of the Delaware Code by adding “7-106,”
1107 between “Section” and “9-104”.

1108 Section 50. Amend Subsection (b), Section 9-208, Subtitle I, Title 6 of the Delaware Code by striking such
1109 Subsection in its entirety, and substituting in lieu thereof the following:

1110 “(b) *Duties of secured party after receiving demand from debtor.* Within 10 days after receiving an authenticated
1111 demand by the debtor:

1112 (1) a secured party having control of a deposit account under Section 9-104(a)(2) shall send to the bank
1113 with which the deposit account is maintained an authenticated statement that releases the bank from any further obligation to
1114 comply with instructions originated by the secured party;

1115 (2) a secured party having control of a deposit account under Section 9-104(a)(3) shall:

1116 (A) pay the debtor the balance on deposit in the deposit account; or

1117 (B) transfer the balance on deposit into a deposit account in the debtor’s name;

1118 (3) a secured party, other than a buyer, having control of electronic chattel paper under Section 9-105
1119 shall:

1120 (A) communicate the authoritative copy of the electronic chattel paper to the debtor or its
1121 designated custodian;

1122 (B) if the debtor designates a custodian that is the designated custodian with which the
1123 authoritative copy of the electronic chattel paper is maintained for the secured party, communicate to the custodian an
1124 authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by
1125 the secured party and instructing the custodian to comply with instructions originated by the debtor; and

1126 (C) take appropriate action to enable the debtor or its designated custodian to make copies of or
1127 revisions to the authoritative copy which add or change an identified assignee of the authoritative copy without the consent of
1128 the secured party;

1129 (4) a secured party having control of investment property under Section 8-106(d)(2) or 9-106(b) shall
1130 send to the securities intermediary or commodity intermediary with which the security entitlement or commodity contract is
1131 maintained an authenticated record that releases the securities intermediary or commodity intermediary from any further
1132 obligation to comply with entitlement orders or directions originated by the secured party;

1133 (5) a secured party having control of a letter-of-credit right under Section 9-107 shall send to each
1134 person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated
1135 release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party; and

1136 (6) a secured party having control of an electronic document shall:

1137 (A) give control of the electronic document to the debtor or its designated custodian;

1138 (B) if the debtor designates a custodian that is the designated custodian with which the
1139 authoritative copy of the electronic document is maintained for the secured party, communicate to the custodian an
1140 authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by
1141 the secured party and instructing the custodian to comply with instructions originated by the debtor; and

1142 (C) take appropriate action to enable the debtor or its designated custodian to make copies of or
1143 revisions to the authoritative copy which add or change an identified assignee of the authoritative copy without the consent of
1144 the secured party.”

1145 Section 51. Amend Subsection (3), Section 9-301, Subtitle I, Title 6 of the Delaware Code by striking such
1146 Subsection in its entirety, and substituting in lieu thereof the following:

1147 “(3) Except as otherwise provided in paragraph (4), while tangible negotiable documents, goods, instruments,
1148 money, or tangible chattel paper is located in a jurisdiction, the local law of that jurisdiction governs:

1149 (A) perfection of a security interest in the goods by filing a fixture filing;

1150 (B) perfection of a security interest in timber to be cut; and

1151 (C) the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the
1152 collateral.”

1153 Section 52. Amend Section 9-307, Article I, Title 6 of the Delaware Code by renumbering subsection (k)
1154 thereof as subsection (l) and adding thereto a new subsection (k) as follows:

1155 “(k) *Location of Trusts and Trustees.* A debtor that is a trust that is a registered organization is located in the
1156 jurisdiction of the trust specified by subsection (e) or (f). A debtor that is a trust that is not a registered organization is located

1157 in the jurisdiction of the trust specified by subsection (b)(2) or (b)(3). A debtor that is a trustee acting with respect to property
1158 held in trust is located in the jurisdiction of the trustee specified by subsection (b), (c), (f) or (i).”

1159 Section 53. Amend Subsection (b)(5), Section 9-310, Subtitle I, Title 6 of the Delaware Code by striking such
1160 Subsection in its entirety, and substituting in lieu thereof the following:

1161 “(5) in certificated securities, documents, goods, or instruments which is perfected without filing,
1162 control, or possession under Section 9-312(e), (f), or (g);”

1163 Section 54. Amend Subsection (b)(8), Section 9-310, Subtitle I, Title 6 of the Delaware Code by striking such
1164 Subsection in its entirety, and substituting in lieu thereof the following:

1165 “(8) in deposit accounts, electronic chattel paper, electronic documents, investment property, or letter-of-credit
1166 rights which is perfected by control under Section 9-314;”

1167 Section 55. Amend Subsection (e), Section 9-312, Subtitle I, Title 6 of the Delaware Code by striking such
1168 Subsection in its entirety, and substituting in lieu thereof the following:

1169 “(e) *Temporary perfection: new value.* A security interest in certificated securities, negotiable documents, or
1170 instruments is perfected without filing or the taking of possession or control for a period of 20 days from the time it attaches to
1171 the extent that it arises for new value given under an authenticated security agreement.”

1172 Section 56. Amend Subsection (a), Section 9-313, Subtitle I, Title 6 of the Delaware Code by striking such
1173 Subsection in its entirety, and substituting in lieu thereof the following:

1174 “(a) *Perfection by possession or delivery.* Except as otherwise provided in subsection (b), a secured party may
1175 perfect a security interest in tangible negotiable documents, goods, instruments, money, or tangible chattel paper by taking
1176 possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the
1177 certificated securities under Section 8-301.”

1178 Section 57. Amend Subsection (a), Section 9-314, Subtitle I, Title 6 of the Delaware Code by striking such
1179 Subsection in its entirety, and substituting in lieu thereof the following:

1180 “(a) *Perfection by control.* A security interest in investment property, deposit accounts, letter-of-credit rights,
1181 electronic chattel paper, or electronic documents may be perfected by control of the collateral under Section 7-106, 9-104, 9-
1182 105, 9-106, or 9-107.”

1183 Section 58. Amend Subsection (b), Section 9-314, Subtitle I, Title 6 of the Delaware Code by striking such
1184 Subsection in its entirety, and substituting in lieu thereof the following:

1185 “(b) *Specified collateral: time of perfection by control; continuation of perfection.* A security interest in deposit
1186 accounts, electronic chattel paper, letter-of-credit rights, or electronic documents is perfected by control under Section 7-106,
1187 9-104, 9-105, or 9-107 when the secured party obtains control and remains perfected by control only while the secured party
1188 retains control.”

1189 Section 59. Amend Subsection (b), Section 9-317, Subtitle I, Title 6 of the Delaware Code by striking such
1190 Subsection in its entirety, and substituting in lieu thereof the following:

1191 “(b) *Buyers that receive delivery.* Except as otherwise provided in subsection (e), a buyer, other than a secured
1192 party, of tangible chattel paper, tangible documents, goods, instruments, or a security certificate takes free of a security interest
1193 or agricultural lien if the buyer gives value and receives delivery of the collateral without knowledge of the security interest or
1194 agricultural lien and before it is perfected.”

1195 Section 60. Amend Subsection (d), Section 9-317, Subtitle I, Title 6 of the Delaware Code by striking such
1196 Subsection in its entirety, and substituting in lieu thereof the following:

1197 “(d) *Licensees and buyers of certain collateral.* A licensee of a general intangible or a buyer, other than a secured
1198 party, of accounts, electronic chattel paper, electronic documents, general intangibles, or investment property other than a
1199 certificated security takes free of a security interest if the licensee or buyer gives value without knowledge of the security
1200 interest and before it is perfected.”

1201 Section 61. Amend Subsection (2), Section 9-338, Subtitle I, Title 6 of the Delaware Code by striking such
1202 Subsection in its entirety, and substituting in lieu thereof the following:

1203 “(2) a purchaser, other than a secured party, of the collateral takes free of the security interest or agricultural lien
1204 to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and, in the case of tangible
1205 chattel paper, tangible documents, goods, instruments, or a security certificate, receives delivery of the collateral.”

1206 Section 62. Amend Subsection (a)(3), Section 9-503, Subtitle I, Title 6 of the Delaware Code by striking such
1207 Subsection in its entirety, and substituting in lieu thereof the following:

1208 “(3) if the debtor is a trust (other than a trust that is a registered organization) or a trustee acting with respect to
1209 property held in trust (including a trustee that is a registered organization), only if the financing statement:

1210 (A) provides the name specified for the trust in its organic documents or, if no name is specified,
1211 provides the name of the settlor and additional information sufficient to distinguish the debtor from other trusts having one or
1212 more of the same settlors; and

1213 (B) indicates that the debtor is a trust or is a trustee acting with respect to property held in trust; and”.

1214 Section 63. Amend Article 9, Subtitle I, Title 6 of the Delaware Code by adding a new Section 9-504A as
1215 follows:

1216 “§9-504A Indication of Collateral That is Accounts, Chattel Paper, Instruments or General Intangibles.

1217 (a) A financing statement sufficiently indicates the collateral that it covers if the collateral is accounts, chattel
1218 paper, instruments or general intangibles and:

1219 (1) the financing statement provides a description of one or more records (such as a computer file,
1220 microfiche list, printed list or other record) in the possession or control of the secured party and such record or records identify
1221 the specific accounts, chattel paper, instruments or general intangibles constituting the collateral;

1222 (2) the financing statement indicates:

1223 (A) that the items described on the record or records in the possession or control of the secured
1224 party are accounts, chattel paper, instruments or general intangibles; or

1225 (B) the nature of the items on the record or records in the possession or control of the secured
1226 party by general description or category; and

1227 (3) the record or records in the possession or control of the secured party contain:

1228 (A) confidential information, such as credit card numbers, loan numbers or taxpayer
1229 identification numbers, identifying the specific account debtors or persons obligated on the instruments; or

1230 (B) a description of 100 or more specific accounts, chattel paper, instruments or general
1231 intangibles.

1232 (b) Subsection (a) provides an additional method of sufficiently indicating collateral in a financing statement for
1233 purposes of this Article. A financing statement not complying with subsection (a) but otherwise complying with Section 9-504
1234 shall sufficiently indicate the collateral it covers for purposes of this Article.”

1235 Section 64. Amend Section 9-509, Subtitle I, Title 6 of the Delaware Code by adding thereto a new subsection
1236 (f) as follows:

1237 “(f) *Trusts and Trustees.* If either the debtor or the secured party is a trust (including a trust that is a registered
1238 organization) or a trustee acting with respect to property held in trust and is otherwise entitled to file a record pursuant to
1239 Section 9-509, authorization by an authorized person in the name of either the trust or the trustee shall be effective.”

1240 Section 65. Amend Section 9-516, Subtitle I, Title 6 of the Delaware Code by adding thereto a new subsection
1241 (e) as follows:

1242 “(e) *Trusts and Trustees.* If the debtor is a trust (including a trust that is a registered organization) or a trustee
1243 acting with respect to property held in trust, the information required by subsection (b)(5) with respect to the debtor may be
1244 provided with respect to either the trust or the trustee.”

1245 Section 66. Amend Subsection (b), Section 9-601, Subtitle I, Title 6 of the Delaware Code by adding “7-106,”
1246 between “Section” and “9-104”.

1247 Section 67. Amend Section 10-104, Subtitle I, Title 6 of the Delaware Code by striking such Section in its
1248 entirety.

1249 Section 68. This Act becomes effective on January 1, 2005 except that Section 42 (amending Section 8-302(a))
1250 shall become effective immediately upon enactment into law.

SYNOPSIS

This Act amends various sections of the Delaware Uniform Commercial Code (“UCC”).

Article 1 of the UCC provides definitions and general provisions that apply as default rules under other Articles of the UCC. The amendments to Article 1 update that Article to reflect modifications made to other Articles of the Uniform Commercial Code.

Article 7 of the UCC deals with warehouse receipts, bills of lading and other documents of title. The amendments to Article 7 primarily update or clarify existing rules of law and add rules to permit electronic documents of title.

Article 9 of the UCC deals with secured transactions. The amendments to Article 9 simplify and provide more clarity in matters concerning (i) security agreements of trusts and trustees, (ii) the determination of where a debtor who is a trust or trustee is located, and (iii) the completion of financing statement forms for trusts and trustees. In addition, certain of the amendments confirm existing law and practice and provide a safe-harbor for sufficiently indicating collateral in a financing statement when the collateral consists of (i) 100 or more specific accounts, chattel paper, instruments or general intangibles, or (ii) specific accounts, chattel paper, instruments or general intangibles that are identified by the use of confidential information.

In addition to the foregoing, the Act corrects typographical errors and makes conforming changes to other provisions of the UCC affected by the modifications described above.

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